

June 1998

BOSNIA PEACE OPERATION

Pace of Implementing Dayton Accelerated as International Involvement Increased



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The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

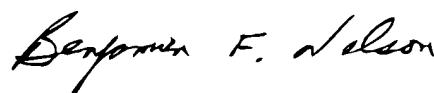
Dear Mr. Chairman:

This report responds to your request that we update our review of the Bosnia peace operation, specifically the progress made since mid-1997 in achieving the operation's objectives.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to the Secretaries of State and Defense, the Administrator of the U.S. Agency for International Development, and to other appropriate congressional Committees. We will also make copies available to others upon request.

This report was prepared under the direction of Harold J. Johnson, Associate Director, International Relations and Trade Issues, who may be contacted on (202) 512-4128 if you or your staff have any questions about this report. Other major contributors to the report are listed in appendix XI.

Sincerely yours,



Benjamin F. Nelson
Director, International Relations
and Trade Issues

Executive Summary

Purpose

The December 1995 General Framework Agreement for Peace in Bosnia and Herzegovina and its supporting annexes (also known as the Dayton Agreement) provided the structure and mandates for an international operation intended to promote an enduring peace in Bosnia and stability in the region. In May 1997, GAO reported that the Bosnia peace operation had created and sustained an environment that allowed the peace process to move forward, but reconciliation had not yet occurred due to the intransigence of Bosnia's political leaders. Thus, according to many observers, given the pace of political and social change in Bosnia at that time, the presence of an international military force would be required after the current military mission ends in June 1998 if a resumed conflict were to be prevented.¹

At the request of the Chairman of the Senate Committee on Foreign Relations, this report provides an update on the progress made in achieving the four key Dayton objectives. The key objectives are to create conditions that allow Bosnia's political leaders to (1) provide security for the people of Bosnia; (2) create a unified, democratic Bosnia that respects the rule of law and internationally recognized human rights, including cooperating with the International Criminal Tribunal for the former Yugoslavia (hereafter referred to as the war crimes tribunal) in arresting and bringing those charged with war crimes to trial; (3) ensure the rights of people to return to their prewar homes; and (4) rebuild the economy.

Background

The war in Bosnia and Herzegovina was fought from 1992 through 1995 among Bosnia's three major ethnic/religious groups—Bosniaks (Muslims), Serbs (Eastern Orthodox Christians), and Croats (Roman Catholics), the latter two being supported by Serbia and Croatia, respectively.² During the war, Bosnian Serbs and Croats sought to partition Bosnia and established ethnically pure states,³ while Bosniaks claimed to support a unified, multiethnic Bosnia. United Nations and other international mediators' attempts throughout the war to stop the fighting were generally unsuccessful, until U.S.-led negotiations in 1995 culminated in a cease-fire in October 1995 and the Dayton Agreement in December.

¹Bosnia Peace Operation: Progress Toward Achieving the Dayton Agreement's Goals (GAO/NSIAD-97-132, May 5, 1997).

²This report defines "Bosniaks" as "Muslims," the definition used in State Department human rights reports. The report also refers to any citizen of Bosnia as a "Bosnian," regardless of ethnic group.

³These states, Republika Srpska and Herceg-Bosna, were never recognized by the international community, whereas Bosnia and Herzegovina was granted diplomatic recognition in 1992 and was a member of the United Nations.

The Dayton Agreement declared Bosnia to be a single, multiethnic state consisting of two entities that were created during the war: (1) the Bosnian Serb Republic, known as Republika Srpska; and (2) the Federation, an entity that joins together Bosniak- and Bosnian Croat-controlled areas of Bosnia.⁴ Most areas within Bosnia, with the exception of central Bosnia, are populated and controlled by a predominant ethnic group as a result of population movements during the war.

In signing the Dayton Agreement, the parties⁵ agreed to implement numerous security, political, and economic measures. To assist the parties in their efforts, the agreement established military and civilian components of the Bosnia peace operation. On the military side of the operation, the North Atlantic Treaty Organization (NATO) authorized two military forces—first the Implementation Force and later the Stabilization Force (SFOR)—that had the authority to use force to separate and control the three militaries in Bosnia and to ensure that they maintain the cease-fire. The NATO-led forces also supported the operation's civilian aspects when requested and if resources allowed. On the operation's civilian side, the Office of the High Representative was established to assist the parties in implementing the agreement and to coordinate international assistance efforts. Other organizations participating in the operation include the United Nations, with its unarmed, civilian police monitoring operation—the International Police Task Force; the Organization for Security and Cooperation in Europe; and the United Nations High Commissioner for Refugees (UNHCR).

In light of the slow progress toward achieving the Dayton Agreement's goals, beginning in late May 1997 the international community began to intensify pressure on the political leaders of Bosnia, Croatia, and the Federal Republic of Yugoslavia (Serbia and Montenegro) and later supported the decision of the High Representative to expand the interpretation of his Dayton authority to include imposing temporary solutions when Bosnia's political leaders were stalemated. Further, SFOR began to support more actively the civil aspects of the peace operation.

⁴U.S. mediation resulted in the establishment of the Federation in March 1994. Prior to this, the Bosniak and Bosnian Croat armies were fighting each other in central Bosnia. The Federation agreement led to a cease-fire between these two armies that held throughout the remainder of the war.

⁵The parties to the agreement are the political leaders of Bosnia's three major ethnic groups, Croatia, and the Federal Republic of Yugoslavia (Serbia and Montenegro).

In mid-December 1997, President Clinton announced that the United States would, in principle, continue to take part in the NATO-led military presence in Bosnia after June 1998, thereby enabling the operation's civil aspects to proceed in a secure atmosphere. The President did not set a deadline for the new mission; instead, he said it would be tied to benchmarks that when met would create a self-sustaining, secure environment and allow NATO troops to be withdrawn.⁶ NATO members and non-NATO participants in the operation agreed in late February 1998 that the post-SFOR force would retain SFOR's name, mission, and overall force levels. According to a Department of Defense (DOD) official, NATO will approve the operation plan for the new mission by mid-June 1998.

Current estimates are that the United States will provide a total of about \$10.6 billion for military and civilian support to the Bosnia peace operation from fiscal years 1996 through 1999; about \$8.6 billion in incremental costs⁷ for military-related operations and about \$2 billion for the civilian sector. DOD estimates for fiscal years 1998 and 1999 assume that U.S. force levels in Bosnia will stay at around 8,500 through June 1998 and then draw down to about 6,900 by late October 1998.⁸ The U.S. military will also have deployed an additional 3,750 troops in Croatia, Hungary, and Italy in support of the operation.

Results in Brief

The actions taken by the international community starting in mid-1997 accelerated the pace of progress toward reaching the Dayton Agreement's objectives. During this period, with the military situation remaining stable, some advancements were made in providing security for the people of Bosnia, creating a democratic environment, establishing multiethnic institutions at all levels of government, arresting those indicted for war crimes, returning people to their prewar homes across ethnic lines, and rebuilding the infrastructure and revitalizing the economy. Moreover, there has been a weakening of hard-line Bosnian Serb control over police

⁶NATO is in the process of developing criteria for determining when conditions in Bosnia would allow a substantial reduction in SFOR's force structure and levels.

⁷As used in this report, "incremental costs" means those additional costs that would not have been incurred if it were not for the operation.

⁸DOD budget estimates assume that the total NATO force in Bosnia will likely remain the same but that U.S. troop commitments will decrease from 8,500 to 6,900 with the expectation that other countries will contribute additional resources to meet NATO operational requirements. It will not be known what other countries actually contribute, or whether NATO operational requirements will be met, until NATO completes its force generation process. According to a U.S. Army document, U.S. force levels will temporarily increase in June by about 2,000 troops as units rotate into and out of Bosnia and by up to about 1,000 troops around the time of Bosnia's September 1998 elections.

and the media and the election of a new, moderate Prime Minister in Republika Srpska.

However, the goal of a self-sustaining peace process in Bosnia remains elusive, primarily due to the continued intransigence of Bosnia's political leaders. Almost all of the results were achieved only with intense international involvement and pressure, both political and military; for example, the High Representative imposed numerous temporary solutions when Bosnia's political leaders could not reach agreement. Further, a substantial NATO-led force is still needed to provide security for the civil aspects of the operation. Conditions will have to improve significantly before international military forces could substantially draw down; even with the accelerated pace of implementing the agreement, it will likely be some time before these conditions are realized. Bosnia for all intents and purposes lacks functioning, multiethnic governments at all levels; a large number of those indicted for war crimes remains at large; about 1.3 million people have not yet been resettled as Bosnia's political leaders continue to prevent people from returning to their homes across ethnic lines; and few economic links have been reestablished among Bosnia's ethnic groups or between its two entities.

Principal Findings

Progress in Providing a Secure Environment

The Dayton Agreement sought "lasting security" in Bosnia based on a durable cessation of hostilities,⁹ civilian police that operate in accordance with democratic policing standards, and a stable military balance in the region. The U.S. government has sought to achieve a stable military balance through arms control efforts called for by the agreement and the train and equip program for the Federation military that was established outside the Dayton framework. Under heavy international pressure, progress continued to be made toward achieving the goal of a secure environment, but much remained to be accomplished, particularly in the area of developing democratic civilian police forces.

To date, SFOR has continued to monitor and control the three militaries in Bosnia and ensured that they continue to observe the cease-fire and remain separated. Thus, SFOR created general security that allowed the operation's civilian organizations to implement the civil aspects of the

⁹The Dayton Agreement did not define "a durable cessation of hostilities."

agreement. A key event in enhancing the security environment occurred when, under NATO direction, SFOR defined and started to control Bosnia's special police units as military forces in August 1997. This step was designed to inhibit their ability to cause security problems and to help accelerate the pace of civilian police restructuring, particularly in Republika Srpska.

Significant early steps were taken in 1997 in certifying, training, reducing, and ethnically integrating Bosnia's civilian police forces—estimated at about 45,000 in 1995—in accordance with democratic policing standards. For example, Bosniak and Bosnian Croat political leaders had established joint Bosniak and Bosnian Croat police patrols in two ethnically mixed cantons¹⁰ in the fall of 1997. Further, after almost 2 years of refusing to cooperate with the International Police Task Force's restructuring program, in September 1997 both the relatively moderate President Plavsic in Banja Luka and hard-line Bosnian Serb leaders in Pale agreed to restructure their police forces in accordance with the task force's democratic policing standards.

Despite these positive but limited steps, political leaders of all three ethnic groups continue to use Bosnia's police forces as a means of furthering their political aims. The police forces remained the primary violator of human rights, often failing to provide security for people of other ethnic groups. Some police have protected the rights of all citizens regardless of ethnicity, according to a State Department official; however, the development of democratic police in Bosnia will require a change in Bosnia's political leadership and the control they still wield over the police. Further, many observers told us that the development of democratic police would also require a generational change in police leadership, as current police leaders were trained to serve an authoritarian state rather than the people. Moreover, according to a State Department official, Bosnian Serb political leaders in Pale have not consistently followed through on their commitment to restructure their police forces.

By the end of 1997, political leaders of Bosnia's three ethnic groups, as well as Croatia and the Federal Republic of Yugoslavia, had largely complied with arms control measures designed to achieve a regional military balance, a significant change from the situation in mid-1997. Most importantly, the parties destroyed or disposed of about 6,600 heavy weapons on schedule.

¹⁰A canton is a level of government in the Federation that links together a number of municipalities.

Further, the U.S.-led international program to train, equip, and integrate the Bosniak and Bosnian Croat militaries into a Federation military also made progress. For example, it established an integrated Federation defense ministry and joint high command in 1997. However, the Bosniak and Bosnian Croat armies still respond to separate chains of command, as the Federation defense law calls for these two armies to be fully integrated into a unified Federation military by August 1999.

Progress in Developing a Unified, Democratic Bosnia

Beginning in mid-1997, progress accelerated slightly in establishing the institutions, laws, and practices of a unified, democratic Bosnia that respects the rule of law and adheres to international standards of human rights. Nevertheless, continued obstruction by Bosnia's political leaders impeded the process at all levels. By the end of the year, this obstruction required the international community to impose temporary solutions to break political impasses at the national and municipal levels. For example, the High Representative imposed a number of solutions to resolve outstanding issues such as the citizenship law and the design of a common currency coupon and Bosnia's national flag.

In early 1998 a moderate, pro-Dayton Prime Minister was elected in Republika Srpska with the support of a multiparty, multiethnic coalition. This event holds promise for the development of institutions, laws, and practices that would link the ethnic groups; for example, the new Prime Minister was credited with facilitating agreements to resume interentity postal deliveries and rail traffic. However, as of May 1998, questions remained about whether the new government would have the resources or political will or ability to fulfill the Prime Minister's pledges. Several reports in late April and early May 1998 concluded the the President of the Federal Republic of Yugoslavia supported hard-liners' attempts to destabilize the new government.

Bosnia's municipal elections held in September 1997 resulted in increased pluralism and the election of many multiethnic local assemblies; however, strong international involvement was needed to force the formation and continued functioning of many of these new governments. By early May 1998, 133 municipalities had received final certification, and 3 had received arbitration awards that had not yet been implemented.

The delays in forming new municipal governments, as well as the reluctance of Bosnia's political leaders to develop effective national and Federation institutions, is a continuing manifestation of the attitudes of

Bosnian Serb and Croats toward a unified Bosnia.¹¹ The vast majority of these two groups continued to want to establish states separate from Bosnia. Bosniaks, on the other hand, continued to advocate support for a unified, multiethnic Bosnia, but, according to some analysts, with Bosniaks in control.

The overall human rights situation has substantially improved since GAO's last report, although major problems remained and the overall situation remained volatile as of April 1998. For example, Bosnians were able to move more freely across ethnic boundaries, due largely to the success of the International Police Task Force policy of removing illegal police checkpoints, a policy implemented with SFOR support. Further, municipal and Republika Srpska parliamentary elections were held in a much more open political environment than in 1996, as the Organization for Security and Cooperation in Europe more closely supervised the electoral process and the political situation improved in Republika Srpska. Moreover, the international community, including SFOR, took steps to shut down hard-line, Serb-controlled media outlets that inflamed ethnic hatreds and instigated violence against the international community.

However, strong ethnic animosities and other barriers to freedom of movement continued to greatly inhibit interaction among the ethnic groups at the end of the year; people continued to vote largely along ethnic lines; and, although more open and less vitriolic, the country's major media outlets remained either under the control of or heavily influenced by the ruling political parties. Further, according to SFOR data, incidents of ethnic conflict increased significantly from January through April 1998.

Progress in Surrendering Indictees to the War Crimes Tribunal

The Dayton Agreement calls for all parties—including Bosnia's Serb, Croat, and Bosniak authorities, as well as the governments of Croatia and the Federal Republic of Yugoslavia—to arrest people indicted for war crimes and surrender them to the war crimes tribunal. Bringing to justice indictees—particularly Radovan Karadzic, a major alleged war criminal—is viewed by many participants in the operation as critically important to the peace process in Bosnia. Considerable progress was made toward achieving this goal in 1997 and early 1998, but a large number of indictees remained at large due to the noncompliance of Bosnian Serb and Serbian political leaders.

¹¹According to a State Department official, delays in forming new municipal governments can also be attributed to interruptions and diversion of resources caused by the unanticipated parliamentary elections in Republika Srpska during late 1997.

The pace of surrendering indictees to the international war crimes tribunal at the Hague accelerated from 8 (of 74 indictees) as of April 25, 1997, to 30 (of 62 indictees) as of May 27, 1998,¹² and the number of at-large indictees dropped from 67 to 32. The increase in surrenders occurred because United Nations peacekeepers in Croatia and SFOR troops in Bosnia detained indictees, after not doing so during 1996 and the first half of 1997; the Croatian government, under international pressure and threatened with various penalties by the United States, assisted in arranging the voluntary surrender of Bosnian Croat indictees; the new Republika Srpska Prime Minister encouraged indictees to surrender voluntarily to the tribunal; and Bosnian Croat and Serb indictees became more willing to surrender voluntarily. Also, in an attempt to reallocate its resources, the war crimes tribunal withdrew charges against a large number of Bosnian Serb indictees who had not been arrested or surrendered, thereby further reducing the number of at-large indictees.¹³

The international community took steps during the second half of 1997 that, combined with Republika Srpska's improving political situation, weakened the hold of Radovan Karadzic on Republika Srpska's police, media, revenues, and institutions, thereby decreasing his ability to obstruct Dayton implementation. However, as of May 1998 he remained at large and capable of obstructing the peace process through his continued, although substantially reduced, control over some of these levers of power.

Progress in Returning Refugees and Displaced Persons to Their Homes

The Dayton Agreement mandated the right of Bosnia's nearly 1.3 million refugees and 1 million internally displaced people to freely return to their prewar homes and to have their prewar property restored to them.¹⁴ Despite these guarantees and intensive efforts of the international community, obstruction by Bosnia's political leaders, particularly Bosnian Serbs and Croats, resulted in most of the 180,000 returnees in 1997 locating in areas where their ethnic group represents a majority of the

¹²Excludes indictees who have died and includes three indictees who surrendered themselves to the tribunal but were released before trial for lack of evidence.

¹³See Former Yugoslavia: War Crimes Tribunal's Work Load Exceeds Capacity (GAO/NSIAD-98-134, June 2, 1998) for further information on the work of the tribunal.

¹⁴They also have the right to be compensated for any property that cannot be restored to them.

population.¹⁵ As in 1996, fear, stemming from a lack of personal security; violence triggered by attempted cross-ethnic returns; poor economic prospects; and a lack of suitable housing all combined to hinder returns across ethnic lines.

According to UNHCR data,¹⁶ the pace of minority returns increased from an estimated 9,500 in 1996 to 39,000 in 1997, for a total of about 48,500 since the signing of the Dayton Agreement. Most minority returns took place in the Federation, with very few non-Serbs returning to Republika Srpska. Many returns occurred in areas such as Brcko, Stolac, and Drvar, areas that had seen few or no returns in 1996 and early 1997. Limited polling and reports from Bosnians and observers indicate that segments of all three major ethnic groups, particularly Bosniaks, do want to return to their homes across ethnic lines. However, Bosnian Serb and Croat political leaders often discourage people of their own ethnic groups from attempting to return home to areas controlled by another ethnic group.

The international community supported phased and orderly minority returns in 1997 by providing an SFOR security presence in many contentious return areas; helping to establish joint Bosniak-Bosnian Croat police patrols in the Federation; and targeting economic assistance to "open" municipalities in which local leaders have demonstrated a commitment to allowing the return of other ethnic groups. The Federation parliament passed three laws in March 1998 that would remove restrictions on minority returns to Sarajevo and other areas of the Federation. As of mid-April 1998, however, these laws were not yet implemented, and Republika Srpska had not revised its property legislation. Bosnia's political leaders had not yet developed integrated return policies and procedures that would allow phased and orderly returns across ethnic lines without an SFOR security presence.

Progress in Rebuilding the Economy

Economic conditions continued to improve throughout Bosnia during 1997 but were threatened by the inaction of Bosnia's political leaders in developing a common economic framework for the country's reconstruction. Bosnia's economy grew by an estimated 35 percent,

¹⁵In 1997, 120,000 refugees returned to Bosnia and about 60,000 people displaced within Bosnia returned home, bringing the total number of returns to 431,000 since the signing of the Dayton Agreement. According to a UNHCR report, during 1997 many refugees who returned became displaced within Bosnia because they were unable to go back to their prewar homes across ethnic lines.

¹⁶UNHCR numbers are generally acknowledged to be the best available on minority returns. However, UNHCR cautions that these numbers should be considered broad estimates only, as they may underestimate minority returns in some areas of the country and overstate them in others, particularly in Sarajevo.

according to World Bank data. However, growth in Republika Srpska during 1997 still lagged far behind growth in the Federation because donors continued to withhold assistance for much of the year due to hard-line Bosnian Serb noncompliance with the Dayton Agreement.¹⁷ In early 1998, the international community responded to the election of the new, relatively moderate Republika Srpska government by providing an increased amount of assistance to the entity. According to State, assuming no policy changes on the part of the new government, this development should continue and should bring increased growth to Republika Srpska.

Signs of progress in Bosnia's economic reconstruction included the reestablishment of some infrastructure and activities that economically link Bosnia's ethnic groups, such as the return of limited phone and rail service between the two entities and the holding of multiethnic trade fairs in Banja Luka and Sarajevo. The pace of clearing landmines—an area of critical importance to economic reconstruction and refugee returns—accelerated during the year as well. However, the three parties were still reluctant to remove landmines from strategically important areas because they continued to view the current situation in Bosnia as a temporary cessation of hostilities.

Despite the progress in rebuilding the economy and economic links, Bosnia's political leaders continued to obstruct the establishment of a common economic policy framework. For example, although Bosnia's parliament under strong international pressure had passed the "Quick Start Package" of economic laws¹⁸ in June 1997, as of early 1998 very little had been done to implement the laws, and what limited progress had been made was mostly ordered by the High Representative. Bosnia's political leaders also continued practices such as nontransparent budgeting for governmental institutions that threatened Bosnia's economic recovery and could lead to the improper use of economic assistance going to Bosnia. The international community and some of Bosnia's governments recommended actions in 1997 to address shortcomings in the country's

¹⁷Bosnia's Priority Reconstruction Program is a 3- to 4-year, \$5.1 billion program that provides the framework for the economic reconstruction and integration of Bosnia. In the program's first year, 59 donor countries and organizations pledged \$1.9 billion to the program. During 1997, 31 of the original donors pledged an additional \$1.2 billion to Bosnia's economic reconstruction program. In May 1998, according to a State Department official, 30 donors pledged \$1.25 billion, bringing the total amount pledged to \$4.35 billion. No further details on the 1998 pledges were available at the time this report went to press.

¹⁸The "Quick Start Package" included laws establishing the Central Bank, a national budget execution law for the 1997 budget, uniform customs tariff and customs policy laws, a foreign trade law, and the legal framework for external debt management.

public finance system that could generate opportunities for fraud and corruption.

By the end of the year, donors' practice of attaching political conditions to economic assistance had contributed to some important, positive political changes in Republika Srpska, including the rise of a more moderate Bosnian Serb leadership. This practice has also helped encourage some municipalities to accept returns of refugees and displaced persons from other ethnic groups. This type of conditionality had not, however, increased the cooperation or compliance of hard-line Bosnian Serb or Croat political leaders in implementing the Dayton Agreement. In October 1997 and February 1998, officials from the U.S. Agency for International Development told us that they did not have the resources to monitor whether recipients were fully complying with political conditions attached to the agency's assistance; in April 1998, these officials said that the agency intends to hire an individual so that it can adequately monitor existing and future assistance.

Agency Comments and GAO's Evaluation

DOD, the U.S. Agency for International Development, and the State Department provided written comments on a draft of this report. DOD generally concurred with the report, and the U.S. Agency for International Development commented further on the progress that has been made in Bosnia over the past year.

State commented that the report acknowledges and catalogs many of the significant successes recorded over the last year in the implementation of the Dayton Agreement but does not sufficiently convey the momentum, hope, and prospects that the developments of the last half of 1997 and the first few months of 1998 have brought to the overall circumstances in Bosnia. In particular, State identified a number of changes that have occurred since late spring of 1997 that give cause for optimism. These include the ability of Bosnians to move more freely around the country, further democratization and pluralism in the political arena, and advances in arms control. Although State agreed that caution is in order, it noted its inclination to be somewhat more optimistic than the report.

While GAO agrees with State that there is some cause for optimism in Bosnia, the facts, events, and progress suggest that one may want to view Bosnia's future with greater caution than State does. GAO believes that the report strikes an appropriate balance in describing the progress in achieving the goals of the Dayton Agreement and the challenges that

remain. The report discusses in some detail the events referred to by State and specifically states that the pace of implementing the Dayton Agreement has accelerated.

However, as noted in the Executive Summary and throughout the report, this progress was achieved largely because of intense international pressure and involvement; the momentum for continued progress is not self-sustaining; and conditions will have to improve significantly before international military forces could substantially draw down. It is widely accepted in the international community that, even with the accelerated pace of implementing the agreement, it will likely be some time before these conditions are realized. Further, while events in the last half of 1997 and early 1998 give cause for optimism, more recent events in March and April 1998—specifically, an increase in incidents of ethnic conflict associated with people crossing ethnic lines to visit or return to their prewar homes—illustrate the difficulties that Bosnians and the international community still face in implementing key aspects of the agreement.

DOD, the U.S. Agency for International Development, and State also provided technical comments, updated information, and other suggestions that have been incorporated where appropriate. Comments from DOD and the U.S. Agency for International Development are included in appendixes VIII and IX, respectively. State's comments, along with GAO's evaluation of them, are included in appendix X.

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Abbreviations

CRS	Congressional Research Service
DOD	Department of Defense
EBRD	European Bank for Reconstruction and Development
HDZ	Croatian Democratic Union
IFOR	Implementation Force
IMET	International Military Education and Training
IMF	International Monetary Fund
IPTF	International Police Task Force
JCC	Joint Civil Commission
NATO	North Atlantic Treaty Organization
OHR	Office of the High Representative
OSCE	Organization for Security and Cooperation in Europe
SDA	Bosniak Party of Democratic Action
SDS	Serb Democratic Party
SFOR	Stabilization Force
SHAPE	Supreme Headquarters Allied Powers Europe
SNS	Serb People's Union
SRT	Serb Radio and Television
UNHCR	United Nations High Commissioner for Refugees
UNMAC	United Nations Mine Action Center
UNMIBH	United Nations Mission in Bosnia and Herzegovina
USAID	U.S. Agency for International Development
USIA	U.S. Information Agency

Introduction

U.S. support for the Bosnia peace operation is projected to cost an estimated \$10.6 billion from fiscal year 1996 through fiscal year 1999. The peace operation was established after 3- 1/2 years of war in Bosnia and Herzegovina (hereafter referred to as Bosnia), when international intervention culminated in the signing of the Dayton Agreement in December 1995.¹ In signing the agreement, the parties to the conflict—political leaders of Bosnia's three major ethnic groups, Croatia, and the Federal Republic of Yugoslavia²—agreed to implement a number of security, political, and economic measures intended to bring peace and stability to the region. To assist the parties in their efforts, the international community created the Bosnia peace operation, consisting of an international military force led by the North Atlantic Treaty Organization (NATO) and numerous international civilian organizations.

In early May 1997, we reported that the Bosnia peace operation had created and sustained an environment that allowed the peace process to move forward, but reconciliation had not yet occurred due to the intransigence of Bosnia's political leaders.³ During 1997, important changes to the operation and its political environment provided additional authority in some areas and created new opportunities for accelerating the pace of implementing the Dayton Agreement's provisions.

U.S. Costs and Commitments for Fiscal Years 1996 Through 1999

Executive branch estimates available as of March 3, 1998, indicate that the United States will provide about \$10.6 billion⁴ for military and civilian support to the Bosnia peace operation from fiscal years 1996 through 1999: about \$8.6 billion in incremental costs⁵ for military-related operations and about \$2 billion for the civilian sector (see table 1.1). The Department of

¹The General Framework for Peace in Bosnia and Herzegovina and its supporting annexes, also known as the Dayton Agreement, were negotiated near Dayton, Ohio, during November 1995 and signed in Paris on December 14, 1995.

²The former Yugoslavia republics of Serbia and Montenegro have asserted a joint independent state with this name. The United States has not recognized this entity.

³[Bosnia Peace Operation: Progress Toward Achieving the Dayton Agreement's Goals](#) (GAO/NSIAD-97-132, May 5, 1997).

⁴In February 1996, the executive branch estimated that the Bosnia peace operation would cost the United States about \$3.2 billion for fiscal years 1996 and 1997—\$2.5 billion in incremental costs for military-related operations and \$670 million for the civilian sector. These initial estimates assumed that U.S. military forces would be withdrawn from Bosnia when the first NATO-led mission ended in December 1996.

⁵As used in this report, "incremental costs" means additional costs to DOD that are directly related to the Bosnia operation and would not have otherwise been incurred. In some cases, incremental costs are offset by avoiding costs (such as training exercises) that would have occurred in the absence of the operation.

Defense (DOD) estimates assume that the United States will maintain its current force of about 8,500 in Bosnia through June 1998 and then draw down to about 6,900 by late October 1998.⁶ According to a U.S. Army Europe document, U.S. force levels will temporarily increase by about 2,000 troops in June as units rotate into and out of Bosnia and by up to about 1,000 troops for a 75-day period around the time of Bosnia's September 1998 elections. The U.S. military will also have deployed another 3,750 troops in Croatia, Hungary, and Italy in support of the Bosnia operation.

Table 1.1: Estimated U.S. Costs for the Bosnia Peace Operation, Fiscal Years 1996 Through 1999

Government branch	Fiscal years				
	1996 ^a	1997	1998	1999	Total
DOD	\$2,489	\$2,271 ^b	\$1,973 ^c	\$1,848 ^c	\$8,581
Civilian agencies ^d	560	500 ^e	500 ^e	500 ^e	2,060
Total	\$3,049	\$2,771	\$2,473	\$2,348	\$10,641

^aDOD's incremental costs exclude \$30.9 million spent on U.S. participation in a U.N. peacekeeping operation in Macedonia, \$9.3 million spent on enforcement of the arms embargo and U.N. sanctions on Serbia-Montenegro, and \$500,000 spent on U.S. military personnel and supplies for the operation of a Zagreb hospital in support of the United Nations. For the civilian agencies, this amount represents State's cost estimate as of October 1996. During fiscal year 1996, civilian agencies obligated \$501 million for activities in Bosnia.

^bAs of February 1998. This figure excludes costs associated with U.S. participation in a U.N. peacekeeping operation in Macedonia.

^cFrom DOD's supplemental request for fiscal year 1998 and budget amendment request for fiscal year 1999 for military operations in Bosnia, dated March 3, 1998. These figures exclude costs associated with U.S. participation in the U.N. peacekeeping operation in Macedonia (\$10.2 million each year).

^dIncludes the U.S. Agency for International Development (USAID); the U.S. Information Agency (USIA); and the Departments of State, Agriculture, Commerce, Justice, and the Treasury.

^eGAO estimated U.S. civilian costs for fiscal years 1997 through 1999 based on fiscal year 1996 obligations, because the Department of State was unable to provide complete cost estimates as of late April 1998.

In fiscal year 1997, DOD incurred about \$2.3 billion in incremental costs for its participation in NATO operations in Bosnia.⁷ The U.S. Army, which is

⁶DOD budget estimates assume that the total NATO force in Bosnia will likely remain the same, but that U.S. troop commitments will decrease from 8,500 to 6,900 with the expectation that other countries will contribute additional resources to meet NATO requirements. It will not be known what other countries will actually contribute, or whether NATO operational requirements will be met, until NATO has completed its force generation process.

⁷For more discussion of DOD's cost estimates and costs, see *Bosnia: Operational Decisions Needed Before Estimating DOD's Costs* (GAO/NSIAD-98-77BR, Feb. 11, 1998).

deploying and logistically supporting ground troops in and around Bosnia,⁸ incurred nearly 80 percent of these costs, or about \$1.77 billion. The U.S. Air Force spent about \$256 million, while the Navy and Marine Corps together spent about \$77 million. In addition, about \$172 million was spent by the following DOD components for operations related to Bosnia: the National Imaging and Mapping Agency, the Defense Intelligence Agency, the Defense Information Systems Agency, Defense Logistics Agency, the U.S. Special Operations Command, the Defense Health Program, and the National Security Agency.

U.S. civilian agencies in fiscal year 1997 obligated about \$450 million for programs designed to assist in the economic, political, and social transition taking place in Bosnia (see table 1.2). Most of this assistance, almost \$250 million, was funded by USAID. The State Department provided about \$190 million; the remainder was obligated by other civilian agencies, including USIA and the Departments of Justice, Commerce, and the Treasury. Appendix I provides more information on U.S. civilian programs that supported the Bosnia peace operation in fiscal year 1997.

**Table 1.2: Fiscal Year 1997 U.S.
Funding for Civilian Aspects of the
Bosnia Peace Operation**

Dollars in millions	
Program/activity	Obligations ^a
Economic reconstruction	\$159.3
Humanitarian assistance	144.8
Democracy and human rights	63.5
Other support for civilian programs/activities	82.2
Total	\$449.8^a

^aAs of February 3, 1998, about \$70 million of USAID funds budgeted for Bosnia programs in fiscal year 1997 were unobligated.

A Brief History of the Conflict

The 1992-95 war in Bosnia was part of the violent dissolution of the Socialist Federal Republic of Yugoslavia, which had been an ethnically diverse federation of six republics with almost no history of democratic governance or a capitalist economy. The war was fought among Bosnia's three major ethnic/religious groups—Bosniaks (Muslims), Serbs (Eastern Orthodox Christians), and Croats (Roman Catholics)⁹—the latter two

⁸The U.S. Army is logistically supporting ground troops for all services in Bosnia, Croatia, and Hungary.

⁹For purposes of this report, the term "Bosnian" refers to any citizen of Bosnia, regardless of ethnic group. This report defines "Bosniaks" as "Muslims," the definition used in State Department human rights reports.

being supported directly by the republics of Serbia and Croatia, respectively. Bosnian Serb and Croat war aims were to partition Bosnia and establish ethnically pure states: Bosnian Serbs created Republika Srpska, and Bosnian Croats established Herceg-Bosna.¹⁰ In contrast, the Bosniaks claimed to support a unified, multiethnic Bosnia.

In March 1994, U.S. mediation led to the creation of a joint Bosniak-Bosnian Croat entity—the Federation—and a cease-fire between the Bosniak and Bosnian Croat armies, which continued to fight against the Bosnian Serb army. The United Nations and other international mediators were generally unsuccessful in their attempts to stop the war until the U.S. government took the lead in negotiations during mid-1995. By October 1995, a cease-fire among all three militaries was established. In December 1995, the Dayton Agreement was signed, continuing the complex and difficult process of attempting reconciliation among the parties to the conflict.¹¹

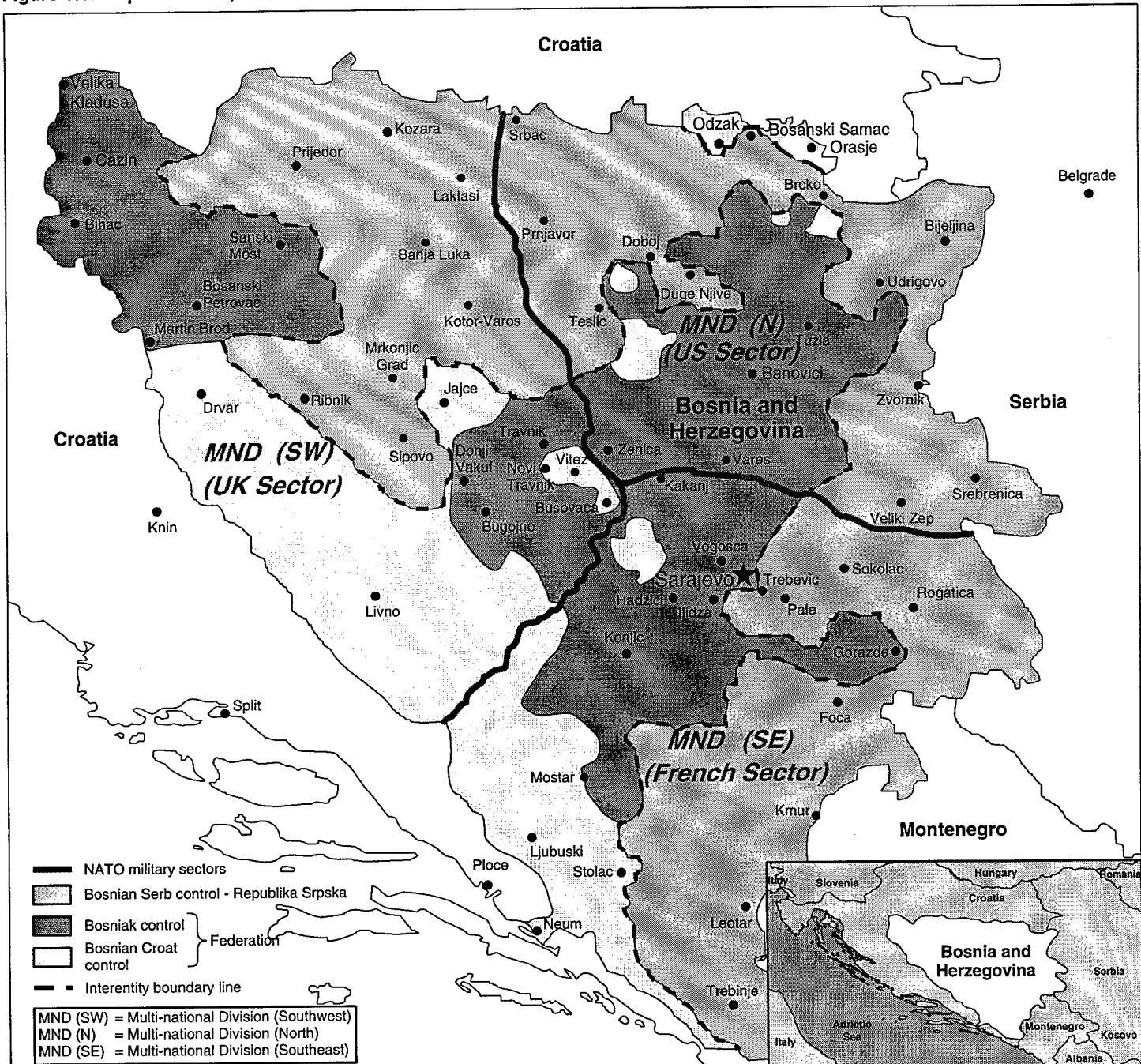
Dayton Agreement and Related Side Agreements

Building on the October 1995 cease-fire, representatives from Croatia, the Federal Republic of Yugoslavia, and Bosnia's three major ethnic groups signed the Dayton Agreement in Paris on December 14, 1995. The agreement defined Bosnia and Herzegovina as consisting of the two entities that had been created during the war—Republika Srpska and the Bosniak-Croat Federation—and divided them by an interentity boundary line (see fig. 1.1). Both entities agreed to the transfer of some territory they held at the time of the cease-fire. Republika Srpska would comprise 49 percent of Bosnia (and nearly all of the Bosnian Serb-controlled areas), and the Federation would consist of 51 percent of Bosnia. The Federation territory would be made up of noncontiguous areas of Bosniak and Bosnian Croat control. Most areas within Bosnia, with the exception of central Bosnia, are populated and controlled by a predominant ethnic group as a result of population movements during the war.

¹⁰These states were never recognized by the international community, whereas Bosnia and Herzegovina was granted diplomatic recognition and became a member of the United Nations in 1992.

¹¹For a brief history of events leading to the conflict in Bosnia and a discussion of the international community's role through the fall of 1995, see Bosnia Peace Operation: Progress Toward Achieving the Dayton Agreement's Goals.

Figure 1.1: Map of Bosnia, as of June 1997



The Federation consists of 10 cantons, a level of government that would link together a number of municipalities (see table 1.3). All of the cantons are in a very early stage of development.

Table 1.3: A Description of Cantons in the Federation

Canton number	Canton name	Ethnic majority	Key cities and towns
1	Una Sana	Bosniak	Bihac, Sanski Most
2	Posavina	Croat	Odzak, Orasje
3	Tuzla-Podrinje	Bosniak	Tuzla
4	Zenica-Doboj	Bosniak	Vares, Zenica
5	Gorazde	Bosniak	Gorazde
6	Central Bosnia	Mixed	Jajce, Travnik, Vitez
7	Neretva	Mixed	Konjic, Mostar, Stolac
8	West Herzegovina	Croat	Ljubuski
9	Sarajevo	Bosniak	Hadzici, Sarajevo
10	West Bosnia	Croat	Drvar, Livno, Tomislavgrad

At the time the Dayton Agreement was signed, the Bosniaks and Bosnian Croats also signed a related side agreement on the development of Federation economic and governmental institutions. Also, the U.S. government initiated a separate program to train and equip a unified Federation military. According to State Department officials, the program is intended to correct an imbalance of military power in the region and fulfill a commitment the U.S. government made to the Bosniaks in return for their approval of the Dayton Agreement.

In signing the Dayton Agreement and related side agreements, political leaders of Bosnia's three major ethnic groups pledged to provide security for the people of Bosnia; create a unified, democratic Bosnia within internationally recognized boundaries—to include surrendering indictees to the International Criminal Tribunal for the former Yugoslavia (hereafter referred to as the war crimes tribunal) at the Hague, the Netherlands; rebuild the economy; and ensure the right of people to return to their homes (see table 1.4). In response to the leaders' request for assistance in achieving these goals, the international community established the Bosnia peace operation.

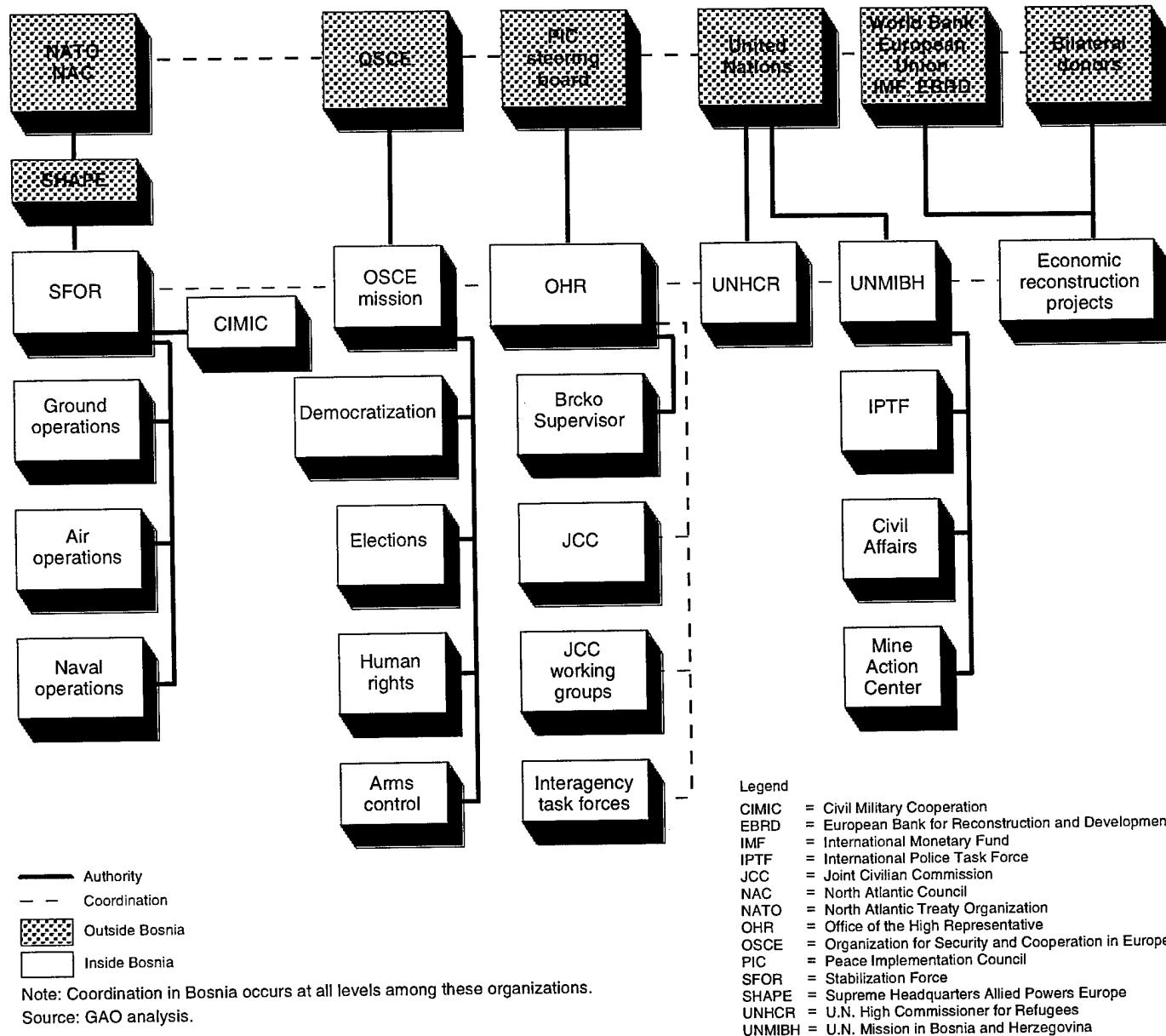
Table 1.4: Goals and Specific Agreements of the Dayton Agreement and Related Programs

Operation's goals	Specific agreements
Provide security for the people of Bosnia	Maintain cease-fire and separate forces; undertake arms control; participate in train and equip program; maintain civilian police that provide security for all people in jurisdiction and respect human rights.
Create a unified, democratic Bosnia within internationally recognized boundaries	Implement national constitution that calls for the creation of national institutions; create functioning Federation institutions; ensure conditions exist for free and fair elections that would be a step in country's democratic development; secure highest level of human rights for all persons; cooperate with the war crimes tribunal.
Ensure the right of people to return to their homes	Allow all refugees and displaced persons the right to freely return to their homes; take actions to prevent impediments to safe return; cooperate with international organizations; establish an independent property commission.
Rebuild the economy	Rehabilitate infrastructure and undertake economic reconstruction; create a central bank; economically integrate the Federation; unify the payments systems, activate the Federation Customs and Tax Administrations, prepare a Federation budget.

Principal International Organizations of the Bosnia Peace Operation

While the Dayton Agreement placed responsibility for implementing the agreement on the parties, it also gave responsibility for assisting the parties in their efforts to five principal international organizations, as well as donor countries and organizations. The operation's principal organizations, as they existed in December 1997, are depicted in figure 1.2.

Figure 1.2: Organization of the Bosnia Peace Operation in 1997



NATO-led forces—first the Implementation Force (IFOR) in December 1995 and later SFOR in December 1996—monitored and enforced implementation of the military aspects of the agreement, including separating and controlling the Bosniak, Bosnian Serb, and Bosnian Croat militaries and ensuring the demilitarization of the zone of separation,¹² as specified by annex 1A of the Dayton Agreement.¹³ If resources were available, NATO-led forces were also expected to (1) help create secure conditions for the conduct of other Dayton Agreement tasks, such as elections; (2) assist UNHCR and other international organizations in their humanitarian missions; (3) observe and prevent interference with the movement of civilian populations, refugees, and displaced persons and respond appropriately to deliberate violence to life and person; and (4) monitor the clearing of minefields and obstacles.

Although SFOR had an authorized force level of 31,000 troops, about half the size of IFOR, higher force levels were consistently maintained throughout 1997. As of November 17, 1997, SFOR had about 34,300 troops from 16 NATO and 20 non-NATO countries in Bosnia and an additional 2,500 support troops in Croatia; the United States had 8,300 troops in Bosnia, with an additional 3,400 support troops in Croatia, Hungary, and Italy.¹⁴ As with IFOR, the United States is the largest force provider to SFOR, and Americans hold the key NATO military positions that control the operation.

On the civilian side of the operation, the Dayton Agreement created OHR and gave the High Representative many responsibilities. These included monitoring implementation of the agreement, coordinating civilian organizations, maintaining close contact with the parties, and giving the final interpretation in theater on civilian implementation of the agreement. Throughout most of 1997, the High Representative did not use his authority to enforce the parties' compliance with the civil provisions of the Dayton Agreement. However, in December 1997 the Peace Implementation Council agreed to support a new, expanded interpretation of the High Representative's mandate that allows him to resolve difficulties in

¹²The zone of separation is an area generally 2 kilometers wide on each side of the interentity boundary line between the Federation and Republika Srpska.

¹³Both IFOR and SFOR had the authority to use force to ensure implementation of annex 1A and force protection. The U.N. Security Council provided IFOR's authority to use force in resolution 1031 on December 15, 1995, and provided SFOR's authority in resolution 1088 on December 12, 1996.

¹⁴Actual SFOR and U.S. force levels varied over time. For example, the number of SFOR troops in Bosnia and Croatia increased to about 39,000 from August through October 1997 because of the support provided to OSCE for preparations for, and conduct of, Bosnia's municipal elections held in mid-September. In October 1997, the number of U.S. Army personnel in and around Bosnia peaked at 14,400 due to the planned troop rotation around the scheduled elections.

implementing the agreement caused by the intransigence of Bosnia's political leaders.

UNMIBH consisted of three components, including IPTF. IPTF's mandate was to (1) monitor, observe, and inspect the parties' law enforcement activities and facilities; (2) advise governmental authorities on how to organize effective civilian law enforcement agencies; (3) advise and train law enforcement personnel; and (4) investigate and report on any human rights abuses by Bosnia's police. IPTF's mandate does not include the power of arrest. As of December 1, 1997, IPTF consisted of 2,004 unarmed, civilian police monitors from 40 countries.

UNHCR's role in the implementation of the Dayton Agreement was to work with the parties to (1) develop a repatriation plan that would allow the early, peaceful, and phased return of refugees and displaced persons and (2) foster returns of refugees and displaced persons to their homes.

OSCE supported international and local efforts to promote democratization and ethnic reconciliation in Bosnia, monitored and reported on human rights, assisted with negotiation and implementation of confidence-building measures and arms control, and supervised the election process. In 1997, OSCE supervised two sets of elections: the nationwide municipal elections originally scheduled for September 1996 but postponed until September 1997, and the elections for the Republika Srpska National Assembly that were called on short notice and held in late November 1997.

Major Changes to the Operation's Organization and Political Environment in 1997

During 1997, important changes in the organization and political environment of the Bosnia peace operation gave the operation additional authority in some areas and provided new opportunities for supporting Bosnia's political leaders who uphold the implementation of the Dayton Agreement. Specifically, (1) in April 1997 a supervisory administration with significant authority was established in the strategically important area of Brcko; (2) in May and June 1997, as well as later in the year, the international community led by the United States expressed and demonstrated a much stronger commitment—both politically and militarily—to full implementation of the Dayton Agreement's civil provisions; and (3) in late June 1997, a division in the Bosnian Serb political leadership and the ruling Bosnian Serb political party, the Serb Democratic Party (SDS), started a process of transforming the political

environment and governmental structures in Republika Srpska and in Bosnia as a whole.

Brcko Supervisory Administration Established

At Dayton, the parties were unable to agree on which of Bosnia's ethnic groups would control the strategically important area in and around the city of Brcko. The agreement instead called for an arbitration tribunal to decide this issue by December 14, 1996.¹⁵ At the end of the war, Brcko was controlled by Bosnian Serb political leaders and populated predominately by Serbs due to "ethnic cleansing" of the substantial prewar Muslim and Croat population, who had then accounted for 63 percent of the city's population, and resettlement of Serb refugees there. Western observers in Bosnia told us that an arbitration decision that awarded control of the area to either the Bosniaks or Bosnian Serbs would lead to civil unrest and would possibly restart the conflict because the location of Brcko made it vitally important to both parties' respective interests.

After granting a request for a 2-month extension, the arbitration tribunal issued a statement on February 14, 1997. This statement essentially postponed the hard decision and called for the international community to designate a supervisor under the auspices of OHR, who would establish an interim supervisory administration for the Brcko area.¹⁶ This supervisory organization would be authorized to oversee the implementation of the civil provisions of the Dayton Agreement in the Brcko area; specifically, to allow former Brcko residents to return to their homes, to provide freedom of movement and other human rights throughout the area, to give proper police protection to all citizens, to encourage economic revitalization, and to lay the foundation for local representative democratic government.

On March 7, 1997, the Peace Implementation Council Steering Board¹⁷ announced that the High Representative had appointed a U.S. official as Brcko Supervisor. On March 31, 1997, the U.N. Security Council authorized

¹⁵The agreement called for the Federation and Republika Srpska to appoint one arbitrator each to the tribunal, and for the third arbitrator to be appointed by the President of the International Court of Justice if the parties could not agree to a third member. The tribunal consists of a Bosnian Serb, a Bosniak, and an American. The American arbitrator was selected by the President of the International Court of Justice and was granted authority to issue rulings on his own, including a final award, if the tribunal could not reach consensus.

¹⁶The tribunal decision noted that (1) the national and entity governments were not sufficiently mature to take on the responsibility of administering the city and (2) Republika Srpska's disregard of its Dayton implementation obligations in the Brcko area had kept the tensions and instability at much higher levels than expected. Only the American member of the tribunal signed the decision.

¹⁷The Steering Board of the Peace Implementation Council consists of eight countries and three multilateral organizations. The board provides political guidance to the High Representative.

an increase in the strength of UNMIBH's IPTF by 186 police monitors and 11 civilian personnel to promote respect for freedom of movement and to facilitate the orderly and phased return of refugees in the Brcko area. The Brcko Supervisor established his office on April 11, 1997, which was to operate for at least 1 year. On March 15, 1998, the Brcko arbitrator announced that the decision on the status of Brcko would be postponed for another 6 to 12 months.

As described in the arbitration statement and a Peace Implementation Council document, the Brcko Supervisor had more authority over this area of operations than the High Representative had in Bosnia at that time. The arbitration tribunal's decision gave the Supervisor authority to issue binding regulations and orders to (1) assist in implementing the Dayton Agreement in the Brcko area and (2) strengthen the area's local, multiethnic democratic institutions. These regulations and orders would prevail over existing laws in the area if a conflict existed. Further, in reaffirming the right of persons to return to their homes of origin, the Peace Implementation Council said that any new influx of refugees or displaced persons should occur only with the consent of the Supervisor in consultation with UNHCR. Neither document, however, described how the Supervisor would enforce his regulations, orders, or decisions if the parties did not choose to comply.

**Commitment to
Implementing Dayton
Agreement Reinvigorated**

In the spring of 1997, the United States conducted a major review of U.S. policy in Bosnia, an effort that helped reinvigorate the peace process by demonstrating renewed U.S. commitment to implementing the Dayton Agreement. Following the policy review, the Steering Board of the Peace Implementation Council articulated and SFOR demonstrated the international community's commitment to achieving Dayton's goals.

On May 30, 1997, following a meeting in Sintra, Portugal, the council's Steering Board supported the more vigorous U.S. approach, issuing a statement, known as the Sintra Declaration, that

- confirmed the Steering Board's long-term commitment to the peace process in Bosnia and reaffirmed that the international community would not tolerate a resumption of hostilities by anyone in the country in the future;

- emphasized that Bosnia and Herzegovina will remain a united and sovereign country, consisting of two multiethnic entities, and that the international community will not tolerate any attempts at ethnic partition, in fact or in law, by anyone;
- demanded that Bosnia's political leaders and national and entity governments significantly accelerate their work toward implementing the Dayton Agreement; set specific, near-term dates by which Bosnia's political leaders and government institutions would have to accomplish specific tasks, such as pass citizenship and passport laws, that would link the country's ethnic groups and their separate areas of control; and, in some cases, described diplomatic consequences if the parties did not accomplish the tasks by the specified date;
- acknowledged the High Representative's authority to regulate Bosnia's media, specifically to curtail or suspend any media network or program whose output is in persistent and blatant contravention of either the spirit or letter of the Dayton Agreement; and
- reemphasized that providing economic assistance to Bosnia would be conditioned at the municipal level on the parties' complying with the Dayton Agreement, particularly those provisions dealing with surrendering indictees to the war crimes tribunal and accepting the peaceful return of refugees and displaced persons to their prewar homes.

Beginning in mid-1997, SFOR began to more actively support implementation of the civilian aspects of the peace operation. For example, SFOR began to provide general and local security for people returning to their prewar homes across ethnic lines in June/July 1997; defined and in August 1997 began to control special police as paramilitary units under annex 1A of the Dayton Agreement, as a step toward either disbanding and disarming them and/or bringing them under the IPTF restructuring program for civilian police; and supported the High Representative's attempts to curtail media that blatantly and persistently violated the Dayton Agreement by taking control of five television transmitters in Republika Srpska during October 1997.

On December 10, 1997, the Peace Implementation Council reiterated the international commitment to implement fully the Dayton Agreement. The council's conclusions, based on its interpretation of the Dayton Agreement, also stated that the High Representative could make binding decisions on (1) the timing and location of meetings and the chairmanship of Bosnia's common governmental institutions; (2) interim measures that would take effect when parties are unable to reach agreement and would

remain in force until Bosnia's collective Presidency¹⁸ or Council of Ministers had adopted a decision consistent with the Dayton Agreement on the issue concerned; and (3) other measures to ensure implementation of the Dayton Agreement throughout Bosnia and its entities, as well as the smooth running of common institutions. Such measures may include actions against persons holding public office or officials who are absent from meetings without good cause or who are found by the High Representative to be in violation of legal commitments made under the agreement or the terms for its implementation.

Political Division of Republika Srpska

As of mid-1997, Bosnian Serb political leaders had not started to implement key areas of the Dayton Agreement. This was in large part due to Radovan Karadzic's blocking of attempts of more moderate Bosnian Serb political leaders to work with the international community in efforts that would link Bosnia's ethnic groups politically or economically. Karadzic is a war crimes indictee¹⁹ and unifying force of the then-ruling political party in Republika Srpska, the SDS. Because of Karadzic's intransigence, the international community gave very little economic assistance to Republika Srpska in 1996 and 1997.

On June 27, 1997, the President of Republika Srpska, President Plavsic, announced that she had fired the Republika Srpska Minister of Interior. According to an OHR report, Plavsic fired the Minister because he had attempted to remove police officers and units involved in compiling a special report on illegal trade and other economic activities in Republika Srpska. This action was the first visible sign of a political division between President Plavsic, whose political base is in Banja Luka, and Karadzic and his hard-line SDS supporters, whose political base is in Pale.

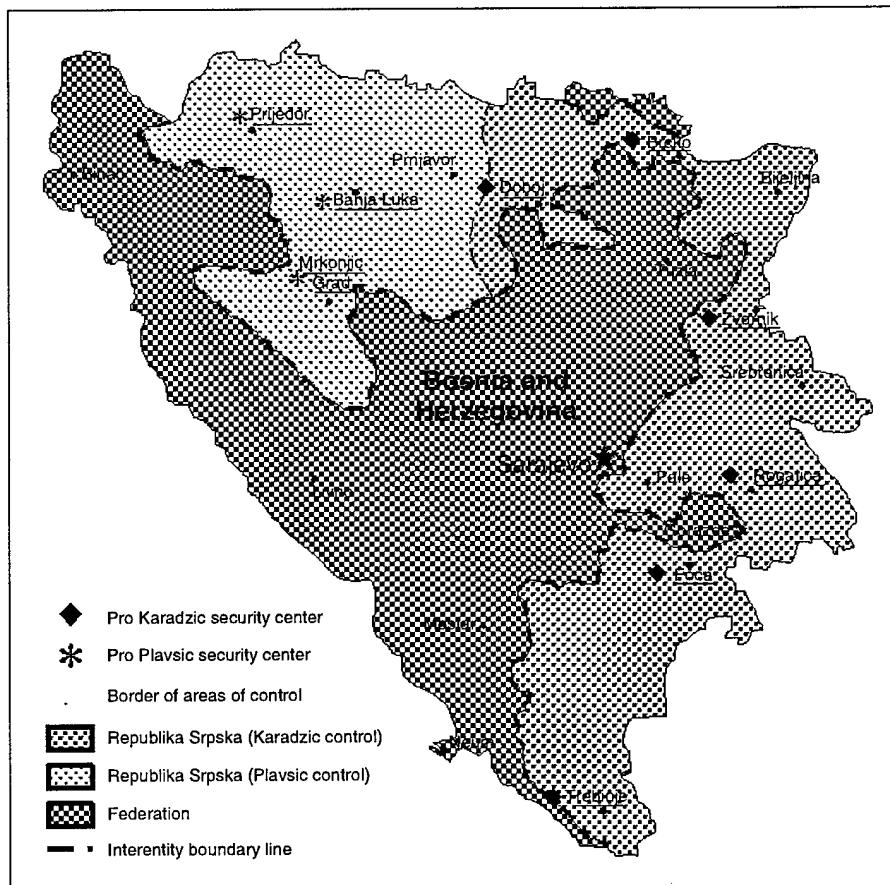
By the end of October 1997, the political struggle in Republika Srpska had resulted in (1) Plavsic being expelled from the SDS and gaining control of civilian police in three of nine public security centers in Republika Srpska (see fig. 1.3); (2) Karadzic and the SDS losing control of the transmitters of Serb Radio and Television (SRT) television, the primary Bosnian Serb media outlet; and (3) Plavsic disbanding the Republika Srpska National Assembly and calling elections for a new assembly, which were held on November 22 and 23, 1997, and resulted in the formation of a new, more

¹⁸Bosnia's constitution (annex 4 of the Dayton Agreement) established Bosnia's collective Presidency of three members: one Bosniak and one Croat, each elected from the Federation, and one Serb directly elected from Republika Srpska.

¹⁹Radovan Karadzic was indicted by the war crimes tribunal on charges of violating the laws of war, crimes against humanity, and genocide.

moderate Republika Srpska government based in Banja Luka. Appendix II provides information on key events in the Republika Srpska political crisis through January 31, 1998.

Figure 1.3: Control of Republika Srpska Police, as of October 1997



Note: Although Prnjavor falls under the Doboj public security center, the municipal police station was controlled by Plavsic.

Source: IPTF and U.N. Civil Affairs interviews and documents.

Many observers told us that President Plavsic is an ardent Serb nationalist who maintains a long-term goal of a separate Serb state. However, she has allowed more open political expression in Republika Srpska and, unlike

Karadzic and the SDS, is willing to work with the international community to implement at least some civilian measures called for in the Dayton Agreement, including those that would link the ethnic groups politically and economically. President Plavsic would do so, according to these observers, because (1) she sees the growing economic gap between the Federation and Republika Srpska and realizes that to obtain economic aid she must cooperate with the international community and (2) she intends to build a Serbian state based on democracy and the rule of law rather than on the corruption of the hard-line SDS. According to one observer, Plavsic has not repudiated all of her former beliefs; however, her actions indicate that her views appeared to have evolved in a more pro-Dayton direction.

By the end of 1997, the political division of Republika Srpska had affected the operating environment of all aspects of the peace operation. The evolving political situation that followed the initial split provided the international community with many opportunities to encourage and/or force further implementation of the Dayton Agreement. Many specific events in the crisis required SFOR intervention to prevent or respond to violent situations, such as when pro-Plavsic police unsuccessfully attempted to take over Pale-controlled police facilities in Doboj and Brcko.

Objectives, Scope, and Methodology

At the request of the Chairman, Senate Committee on Foreign Relations, we reviewed the implementation of the Bosnia peace operation. Our specific objectives were to determine what progress had been made in achieving the operation's objectives since mid-1997. To do so, we focused on the operation's four key goals, which are to create conditions that allow Bosnia's political leaders to (1) provide a secure environment for the people of Bosnia; (2) create a unified, democratic country, to include the surrendering of indictees to the war crimes tribunal; (3) ensure the rights of people to return to their prewar homes; and (4) rebuild the economy. In addition, we reviewed the progress of the program designed to train and equip the Bosniak and Bosnian Croat militaries as they integrate into a unified Federation military.

To determine progress, we made field visits to Bosnia in June and October 1997 and February 1998. We reported on the results of our June visit in testimony to the Committee in July 1997.²⁰ During our field visits, we did

²⁰Bosnia Peace Operation: Progress Toward the Dayton Agreement's Goals—An Update (GAO/NSIAD-97-272, July 17, 1997).

audit work in Sarajevo, Tuzla, Brcko, Banja Luka, Pale, Mostar, Stolac, Travnik, Jajce, Busovaca, Konjic, Zenica, Sanski Most, Prijedor, Doboj, Trebinje, and numerous villages throughout Bosnia. While in Bosnia, we interviewed officials from the U.S. embassy; USAID; USIA; the headquarters of SFOR and two of its multinational division headquarters; OHR; UNMIBH, including IPTF, U.N. Civil Affairs, and the Mine Action Center; the World Bank; UNHCR; OSCE; government officials; opposition party members; Bosnian displaced persons, many of whom had returned to their homes in areas controlled by another ethnic group; and numerous nongovernmental organizations.

We also interviewed officials from (1) the Departments of State, Defense, and the Treasury; USAID; USIA; and the Central Intelligence Agency in Washington, D.C.; (2) the U.S. European Command and U.S. Army Europe in Germany; (3) the U.S. mission to NATO, NATO international staff, SHAPE, and the European Commission in Belgium; (5) OSCE and the U.S. mission to the OSCE in Vienna, Austria; and (6) the U.S. embassy and U.N. Liaison Office in Zagreb, Croatia.

Also to assess progress toward achieving the operation's objectives and in implementing the train and equip program, we compared conditions in Bosnia with the goals laid out in Dayton and related agreements. We analyzed numerous situation reports and other documents from U.S. agencies, NATO, SFOR, OHR, OSCE, IPTF, UNHCR, and other organizations. We also interviewed many observers of the situation in Bosnia to expand upon or clarify information contained in the documents. Further, we relied on results of a joint GAO-Congressional Research Service (CRS) seminar for Congress on "Bosnia: U.S. Options After June 1998," which was held on November 6, 1997.²¹

We did not (1) verify the accuracy and completeness of the cost information DOD or civilian agencies provided to us; (2) evaluate the methodology of USIA polls or other surveys or polls used in this report; or (3) assess the reliability or methodology of USAID, OHR, or World Bank audit reports.

According to USIA officials, USIA analyses are based on responses from people belonging to the principal ethnic group in each of the following sampling areas: Republika Srpska; predominately Croatian regions of Bosnia; and predominately Muslim areas of Bosnia. Nineteen times out of

²¹Bosnia Options After June 1998: Summary of a CRS/GAO Seminar, CRS document 98-23F (Washington, D.C.: Library of Congress, Dec. 23, 1997).

20, results from samples of similar size to USIA samples will differ by no more than 4 percentage points in either direction from what would be found if it were possible to interview every Bosnian Serb in Republika Srpska, every Bosnian Muslim in Muslim-dominated areas of the country, and every Bosnian Croat in Croat-dominated areas of the country. Because of this sampling methodology, USIA cautions against using its poll results to develop data on attitudes of Bosnia's total population. Despite these limitations to USIA samples, we believe the USIA data have sufficient geographic coverage to provide an adequate approximation of the attitudes of each of Bosnia's three major ethnic groups countrywide.

We conducted our work from June 1997 through May 1998 in accordance with generally accepted government auditing standards. Our information on foreign law was obtained from interviews and secondary sources, rather than independent review and analysis.

Progress in Providing a Secure Environment

To promote a permanent reconciliation between all parties, the Dayton Agreement sought to establish "lasting security" based on a durable cessation of hostilities,¹ civilian police that operate in accordance with democratic policing standards, and a stable military balance in the region. Under heavy international pressure, considerable progress has been made toward achieving the goal of a secure environment, but much remains to be accomplished, particularly in the area of developing democratic civilian police forces.

The overall security situation improved somewhat during 1997, but remains very volatile. SFOR has continued to ensure the cease-fire by monitoring and controlling Bosnia's three militaries and in August 1997 started to control Bosnia's special police units as military forces. Significant early steps were taken in 1997 in certifying, training, and ethnically integrating Bosnia's civilian police forces in the Federation and in starting the certification process in Republika Srpska. However, according to U.N. officials, the police remained the primary violator of human rights in Bosnia and often failed to provide security for people of other ethnic groups.

Also, by the end of 1997, the parties to the Dayton Agreement largely complied with arms control measures designed to achieve a regional military balance. The U.S.-led international program to train, equip, and integrate the Bosniak and Bosnian Croat militaries into a unified Federation military² also made significant progress.

Overall Security Situation

According to data from the SFOR Assessment Cell, an operation analysis unit at SFOR headquarters, the overall security situation improved in Bosnia during 1997, but threats to stability increased during the first few months of 1998 (see fig. 2.1). The cell's data—which include incidents related to freedom of movement, ethnic conflicts, and police abuse³—show that threats decreased at an average monthly rate of 1.5 percent during 1997. However, the data also show substantial volatility throughout the year and during early 1998. For example, the number of incidents increased by

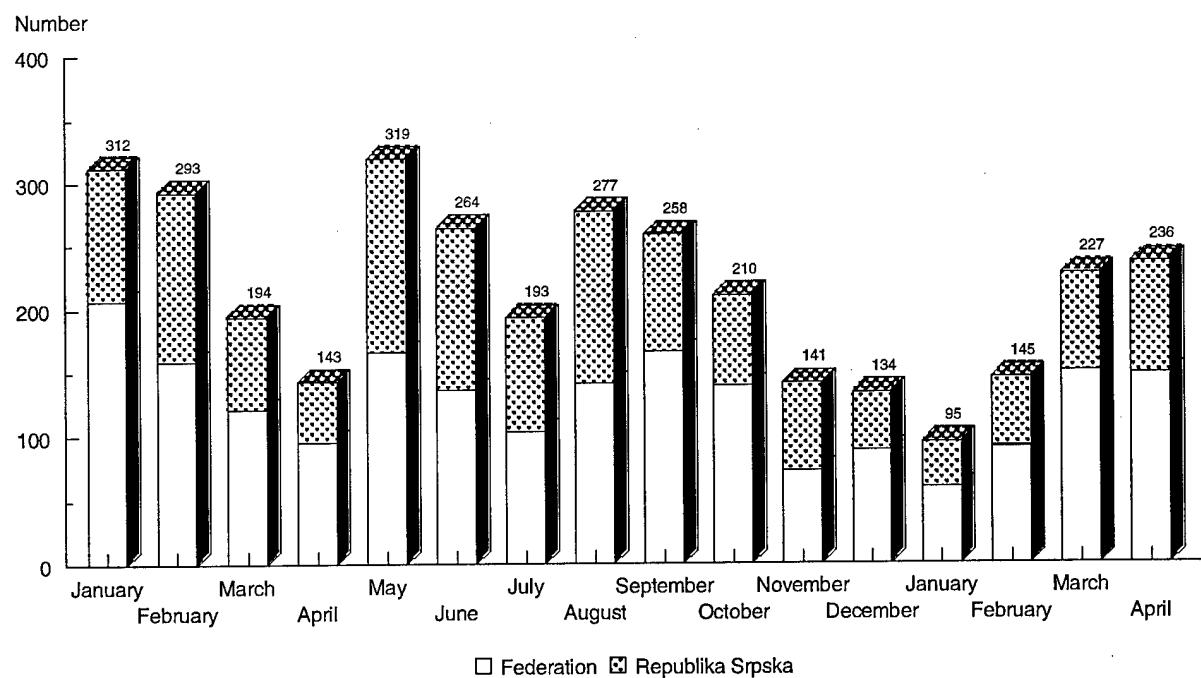
¹The Dayton Agreement did not define "a durable cessation of hostilities."

²The Federation defense law calls for Bosniak and Bosnian Croat militaries to be fully integrated into a unified Federation Army by August 1999.

³The SFOR Assessment Cell tracks "police behavior incidents" as a means of measuring progress toward "establishing democratic police forces." This category includes police misconduct such as beatings, unlawful evictions, illegal search, illegal checkpoints, and the failure of police officers to do their job. For purposes of this report, we refer to these incidents as police-related human rights abuses or police abuse.

123 percent between April and May 1997, decreased by 45 percent between September and November 1997, and then increased again by about 140 percent from January through March 1998.

Figure 2.1: SFOR Assessment Cell Data on Threats to Stability in Bosnia, January 1997-April 1998



Note: While SFOR believes these data provide a good assessment of overall trends, they do not include all threats to stability. This chart excludes four new measures that were added during the second half of 1997. According to an assessment cell officer, the cell is in the process of developing additional measures that will be included in this analysis in the future.

Source: SFOR Assessment Cell.

According to an assessment cell report, these threat trends on a general level reflect the cycle of violence that occurred during Bosnia's war, with declines in intensity in the spring for planting and late summer for harvest, and in early winter when movement is more difficult. Further, tensions

related to returns of refugees and displaced people contributed to increases from May through December 1997, as well as in early 1998. While the number of incidents in January and February 1998 was much lower than during the same months a year earlier, the number of incidents during March and April 1998 was higher than the prior year, primarily due to an increase in (1) ethnic incidents, particularly in the Federation, as people crossed ethnic lines to visit or return to their prewar homes and (2) police abuse incidents associated with illegal police checkpoints.

SFOR Control of Bosnia's Military Forces

The Three Militaries in Bosnia

In 1997, SFOR continued to contain the three militaries in Bosnia and started the process of bringing special police units under SFOR control.

SFOR officials and NATO documents state that during 1997 Bosnia's political leaders generally complied with most military provisions of the Dayton Agreement, but their militaries continually tested SFOR's reactions to minor violations of annex 1A of the Dayton Agreement. Under SFOR supervision, the three militaries continued to observe the October 1995 cease-fire; kept their forces separated; and demobilized additional troops, bringing their combined strength down to 55,500 soldiers by October 1997. SFOR enforced compliance with the military provisions of the Dayton Agreement by continually patrolling throughout the country, including in the zone of separation; routinely monitoring and inspecting SFOR-approved military storage sites and installations; and monitoring SFOR-approved military training and movement activities. Further, according to a DOD report, the three military forces surpassed SFOR's requirement that they reduce their military cantonment sites by 25 percent during 1997. They reduced the number of sites by about 29 percent—from 770 sites to 545 sites—by December 1, 1997, and further lowered the number to 534 by January 1998.⁴

Minor violations and weapons inventory discrepancies by the three militaries led SFOR to confiscate and destroy about 10,000 small arms and some heavy weapons in 1997. Moreover, according to NATO documents, SFOR also imposed numerous training and movement bans on the three militaries throughout the year for violations such as failing to meet

⁴On February 16, 1998, SFOR directed that the three militaries implement a further 25-percent reduction in military cantonment sites during 1998. In March 1998, SFOR extended the deadline to the end of February 1999.

demining requirements, inaccurately reporting troop movement and training activities, and infringing radar and missile restrictions.

Because the fighting has not resumed, the operation's civilian organizations have been able to continue their work and the people of Bosnia have been able to proceed with the long process of political and social reconciliation. On December 10, 1997, the Peace Implementation Council stated that the presence of NATO-led forces has been the greatest single contributor to subregional security since the signing of the agreement and will continue to be so in the short to medium term.

Special Police

On August 7, 1997, the SFOR Commander notified the entity Presidents that special police units in Bosnia would henceforth be controlled by SFOR as military forces under annex 1A of the Dayton Agreement. The agreement had defined Ministry of Internal Affairs special police as organizations with military capability and thus subject to Dayton's military provisions. The new SFOR policy was to apply to special police not duly certified and monitored as civilian police under the IPTF police restructuring program. The policy was designed to help accelerate and ensure police restructuring and reform, particularly in Republika Srpska.⁵ The SFOR Commander also issued supplementary instructions to the parties on August 15, 1997. These instructions laid out the procedures to be followed while the special police are subject to SFOR control before IPTF certifies them as civilian police.

NATO documents show that special police in the Federation were generally in compliance with SFOR requirements as of mid-October 1997.⁶ However, Republika Srpska special police, specifically some units of the Police Anti-Terrorist Brigade,⁷ had failed to comply despite SFOR training and movement bans on all Republika Srpska special police units that were not in compliance with the supplementary instructions. As of November 12, 1997, the two outstanding issues were (1) the failure of five special police units to provide monthly duty rosters and of one of these units to submit its personnel list to SFOR and (2) the failure of the Bosnian Serb member of Bosnia's collective Presidency, Momcilo Krajisnik of the SDS, to personally respond and explain to the SFOR Commander the role of special police in

⁵Bosnian Serb political leaders agreed to participate in IPTF's police restructuring program in late September 1997.

⁶The Bosniak-controlled internal security service, the Agency for Information and Documentation, was not classified as a special police unit and not subject to SFOR control.

⁷The units are located in Pale, Sekovici, Bijeljina, Doboj, and Tjentiste.

events that took place in Banja Luka in early September 1997.⁸ Because of these problems, special police remained subject to a training and movement ban and continued to be closely monitored by SFOR.

On November 10, 1997, SFOR seized control of the special police unit in Doboј, in response to special police actions in Banja Luka in early September 1997 and the subsequent failure of Krajišnik to adequately explain them. Specifically, SFOR confiscated weapons, vehicles, communications equipment, and files from the unit and decertified the officers assigned there. On November 20, 1997, SFOR and IPTF officials reached an agreement with Republika Srpska representatives on the future role of special police as they become part of the civilian police structure. Once certified as civilian police, some units (about 850 officers) will be allowed to assume IPTF-approved tasks related to counterterrorism, border control, organized crime prevention, protection of important people, and crowd control.

As of February 8, 1998, according to an IPTF memo, 1,321 special police officers in Banja Luka (106), Doboј (960), and Bijeljina (255) had started the initial steps of IPTF's civilian police certification process. By that time, according to a NATO document, SFOR had all Republika Srpska special police under control and surveillance, with SFOR liaison officers attached to each unit; however, not all units were in full compliance yet with SFOR's instructions of August 1997.

Public Security Reforms

During 1997, under intense international pressure, Bosniak, Bosnian Croat, and Bosnian Serb political leaders began taking important, early steps in developing police forces that meet IPTF's standards for democratic policing. The Bosniaks and Bosnian Croats began patrolling together in every municipality of two ethnically mixed cantons in the Federation; both President Plavšić and SDS hard liners in Pale allowed their police forces to start the IPTF police restructuring process late in the year, after almost

⁸On September 8, 1997, SDS bused in large numbers of people from throughout Republika Srpska, including police from eastern Bosnia, for an SDS rally in Banja Luka. Based on evidence presented by the Banja Luka Chief of Police, the Principal Deputy High Representative determined that the buses contained people intending to provoke disorder and possible violence and requested SFOR assistance in inspecting and turning back buses deemed as a threat. The day after the rally, senior hard-line SDS members and their security personnel, including some with special police identification cards, were blockaded in a Banja Luka hotel by pro-Plavšić police and a crowd of local residents, until the Principal Deputy High Representative and SFOR soldiers assisted the majority of the pro-Pale group in safely leaving the hotel.

2 years of refusing to cooperate with the IPTF,⁹ and in Brcko, the Supervisor began the process of establishing a multiethnic, democratic civilian police force for Brcko municipality. The progress was often slow and halting, however, and police continued to be the primary violator of human rights in Bosnia. The program to train and equip Bosnia's police forces, an integral part of the IPTF police restructuring program, was strongly supported by the United States but received limited financial support from other donors.

Status of Civilian Police Restructuring

By the end of 1997, IPTF was implementing three distinct police restructuring efforts in Bosnia, specifically, (1) in the Federation for Bosniak and Bosnian Croat police forces at the canton and Federation levels; (2) in Republika Srpska, starting with the entity's public security centers, three of which were controlled by President Plavsic in Banja Luka and six of which were controlled by SDS hard-liners in Pale; and (3) in the Brcko area of supervision, Republika Srpska, under the authority of the Brcko Supervisor.

Each police restructuring effort consisted of certifying, training, reducing, and integrating police forces, as well as revising police standards and procedures so that they are in accordance with democratic policing standards. Tables 2.1 and 2.2 provide information on progress made in these areas in 1997 and early 1998. According to a State Department official, although Bosnian Serb political leaders in Pale consented to police restructuring in September 1997, they had not consistently followed through on their commitments; most of the police who had been provisionally certified by the IPTF were in areas controlled by President Plavsic.

⁹The agreement, dated September 16, 1997, was negotiated and agreed to by Plavsic and a pro-Pale Bosnian Serb political leader following unsuccessful attempts by pro-Plavsic police to gain control over police in Doboj, Brcko, and Bijeljina in late August 1997. According to a senior international official in Bosnia, Bosnian Serb leaders in Pale agreed to restructure their police in accordance with IPTF's standards primarily because they feared that the international community would assist President Plavsic in gaining control over their police.

Chapter 2
Progress in Providing a Secure Environment

Table 2.1: Progress in Certifying, Training, and Reducing Numbers of Civilian Police, as of February 1998

Area	Temporary certification^a	Number of police trained or in training^b	Force reduction
Federation	An estimated 8,314 police in 8 of 10 cantons were certified or in the process of being certified. ^c Some Federation Ministry of Interior officers had received temporary certification, but the Federation-level police force was not completely operational.	8,258—human dignity course 1,910—transition course	Total police in cantonal- and Federation-level police forces to be reduced from over 22,000 in 1996 down to no more than 11,500. Federation-level police force limited to 1,000.
Republika Srpska	Police certified or undergoing certification in eight of nine public security centers; 5,551 police certified (including 1,321 special police), primarily in western Republika Srpska. ^d	1,852—human dignity course ^e	Police forces are to be reduced from as many as 20,000 police to no more than 8,500. ^f
Brcko	Certification started on October 23, 1997, for current police and on November 17, 1997, for candidates not currently serving as police officers. 230 police were certified by December 16, 1997.	Training due to begin in February 1998.	Police reservists cease to function in Brcko on October 13, 1997. Brcko supervisor limited police force to 230 officers on November 10, 1997.

^aAs a step toward permanent IPTF certification for police duties, Bosnian police must first receive a temporary certification by (a) completing an application that is screened for schooling and background, (b) passing an IPTF-administered written exam on police knowledge and skills and a psychological test, (c) being screened for human rights abuses and war crimes, (d) attending a 2-day information seminar on the restructuring process, and (e) being issued temporary identification cards with their name, number, and photograph that allow them to perform police duties for 1 year. During the 1-year certification period, IPTF is to conduct a thorough background investigation on each police officer.

^bAs of January 31, 1998. Police who are temporarily certified must attend a 2-day training course on democratic policing standards and human rights, a 1-week human dignity course, and a 3-week "transition course" on basic policing skills. To receive permanent certification, police lacking at least 3 months of formal police training must receive it within 1 year of receiving the temporary certification. According to a State Department official, no police had been permanently certified as of February 11, 1998.

^cAs of January 17, 1998. According to a State Department official, the delay in temporarily certifying the police in the two remaining cantons, West Herzegovina and West Bosnia, both Croat-controlled, is due to an unwillingness on the part of Croat officials to adopt Federation symbols and integrate their police forces.

^dAs of February 8, 1998. The Republika Srpska restructuring agreement calls for the sequential restructuring of the nine public security centers followed by special police units not subject to SFOR control, other specialized police units, and the Ministry of Internal Affairs. Certification and training began first in Plavsic-controlled public security centers. On October 17, 1997, Trebinje became the first Pale-controlled center to start the certification process. As of February 8, 1998, only the center in Foca (Srbinje) had not begun the process.

^eAs of January 31, 1998, only police in Banja Luka had taken the human dignity course.

^fFrom an October 1997 OHR report. According to a State Department official, the IPTF estimate of 7,600 civilian police for Republika Srpska understates the number of police in eastern Republika Srpska.

Sources: U.N., OHR, and IPTF documents; UNMIBH, IPTF, and State Department officials.

IPTF's efforts to integrate Bosnia's police forces are viewed by many observers in Bosnia as critically important for building confidence among people who have crossed or will cross ethnic lines to return home and will have to rely on their local police to provide security for them. The three police restructuring efforts in 1997 had different standards for ethnically integrating police forces and made different amounts of progress toward their goals: The integration of Bosniak and Bosnian Croat police in the Federation had made important progress by the end of 1997; the creation of a multiethnic police force in Brcko started very late in the year; and the integration process had not yet started in other areas of Republika Srpska (see table 2.2).

Table 2.2: Progress in Integrating Bosnian Police, as of May 1998

Area	Integration standard ^a	Progress
Federation	Allocate and fill slots on police forces based on prewar population, as defined by 1991 census data	<p>Allocation of police completed in 8 of the 10 cantons.</p> <ul style="list-style-type: none"> Difficulties in recruiting police to fill allocation for Bosnian Serbs and other ethnic groups in Neretva, Central Bosnia, Tuzla-Podrinje and Sarajevo, and for Croats in Sarajevo. Joint Bosniak-Bosnian Croat police patrols in every municipality of two ethnically-mixed cantons (Central Bosnia and Neretva) by December 1997. By mid-March 1998, some municipalities had reverted to police patrols by the dominant ethnic group only.
	Adopt common uniform	<p>Allocation of police not complete in 2 cantons.</p> <ul style="list-style-type: none"> Restructuring in West Herzegovina delayed by disputes over regulations. Restructuring agreement for West Bosnia signed in April 1998; canton failed to integrate Serb police officers in Drvar by early May.^b
	Adopt common vehicles (color and license plates) for all police ^c	Common uniforms fully adopted in 8 cantons and partially adopted in 2 cantons. Bosnian Croat "Herceg-Bosna" symbols still worn by police in Croat-controlled areas.
	Integrate Federation Ministry of Interior	Common vehicles fully adopted in 8 cantons and partially adopted in 2 cantons.
		Not integrated; separate chains of command still exist for Bosniak and Bosnian Croat police forces. ^d

(continued)

Chapter 2
Progress in Providing a Secure Environment

Area	Integration standard^a	Progress
Republika Srpska	Changes in the ethnic composition of Republika Srpska population are to be reflected in composition of police forces.	No progress.
Brcko	<p>Allocate and fill slots on the police force based on population composition reflected in voters' registry and results of September 1997 municipal elections.</p> <p>Police chief selected from ethnic group with most citizens residing in Brcko supervisory area. Police chief and two deputies must be of different ethnic groups.</p>	<p>Allocation made on November 10, 1997: 52.2 percent Serb (120 police); 39.1 percent Bosniak (90 police); and 8.7 percent Croat (20 police).</p> <p>Police chief and deputies elected by municipal assembly on November 13, 1997.</p> <p>Multiethnic police force begins to function December 31, 1997. Multiethnic patrols initially occur only in periphery areas of Brcko town, such as returns villages and border crossings.</p>

^aStandards for integrating police forces were set by (1) the Federation police restructuring agreement signed by Bosniak and Bosnian Croat political leaders on April 25, 1996; (2) the Republika Srpska police restructuring agreement signed by Republika Srpska President Plavsic and Prime Minister Klickovic on September 16, 1997; and (3) the Brcko Supervisor's order on multiethnic police in Brcko municipality of October 13, 1997, and the November 10, 1997, addendum to that order.

^bAccording to the 1991 census data, Bosnian Serbs were the overwhelming majority in areas of the West Bosnia canton, including Drvar. They were driven out of those areas in the summer of 1995 as a result of a Croatian military offensive, but won the majority of seats on the Drvar municipal council in the September 1997 election. Bosnian Serbs who have returned to Drvar have applied to become members of the police force. According to an OSCE official, canton authorities failed to integrate 15 Bosnian Serb officers into the Drvar police force by May 9, 1998, as required.

^cIPTF created a requirement for a common paint scheme for all police cars in the Federation. The U.N. and SFOR agreed that police cars that are not painted in the joint Federation colors will be considered illegal and will be seized.

^dAccording to a December 10, 1997, U.N. report, the inauguration of the Federation Ministry of Interior was delayed for several months by disagreements between the Bosniak minister and his Croat deputy over distribution of responsibilities and the collocation of the ministry and a Bosniak-controlled intelligence agency, mainly due to Bosniak intransigence.

Sources: IPTF and U.N. reports; IPTF, U.N. and State Department officials.

The joint patrolling by Bosniak and Bosnian Croat police forces was viewed as a positive development by human rights and other observers. During our October 1997 visit to Bosnia, these patrols were just getting underway in many areas of the ethnically mixed cantons of Neretva and Central Bosnia. At that time, a senior OSCE human rights observer told us that joint Bosniak and Bosnian Croat police patrols had resulted in a decline in human rights abuses in areas where they were occurring. By early December 1997, according to a U.N. report, joint Bosniak and Bosnian Croat patrols were taking place in every municipality in Neretva

and Central Bosnia cantons. However, by mid-March 1998, some municipalities in these cantons had reverted to a pattern of police patrols consisting solely of officers from the dominant ethnic group.

Despite these positive developments, State Department and IPTF officials described the progress in integrating Federation police forces as frustrating, halting, incremental progress, noting many problems. For example, police deployed to areas controlled by another ethnic group at times had been harassed, intimidated, and threatened, and some had requested IPTF or SFOR protection. Further, in early February 1998, according to a State Department official, IPTF and OHR canceled the inauguration of a restructured police force in a Croat-controlled canton when they discovered that only Bosnian Croat flags were to be displayed, and no Bosniak officials or police were to be present. This canton is particularly resistant to implementing reform or integrating, given its proximity and ties to the Republic of Croatia. State officials said that political leaders are the cause of problems in integrating Bosniak and Bosnian Croat police in the Federation—political will is not coming from Bosniak and Bosnian Croat political leaders to allow or encourage integration.¹⁰

Many police forces in the Federation face a serious shortage of police officers because they cannot fill positions allocated for Serbs or other ethnic groups, despite offers of housing assistance and other incentives to attract police from those groups. For example, Neretva Canton had filled only 3 of the 260 slots allotted to Bosnian Serb police as of mid-October 1997. According to a Police Chief in the canton, the ability of his force to protect public safety remains seriously compromised until his station reaches full strength.

Further, Bosnia's three ethnically based police forces, which continue to be controlled by their respective political leaders, often did little to provide personal security and uphold human rights of citizens outside their respective ethnic groups.¹¹ Instead, most human rights violations—by some estimates as high as 50-70 percent, according to a senior U.N. official—have been committed by police. Police forces in many instances

¹⁰The integration process in Mostar, the capital of Neretva Canton, suffered a setback in September 1997 when a bomb exploded outside the main Bosnian Croat police station, leading Bosniak officers to withdraw temporarily from their assigned stations in Bosnian Croat-controlled areas.

¹¹In mid-October 1997, UNHCR and IPTF officials told us that Konjic municipality is a notable exception to this general rule—the Konjic Chief of Police, along with the Mayor and his deputy, is genuinely committed to providing security for all ethnic groups who live in or wish to return to Konjic.

during 1997 did not act to protect people of other ethnic groups who still lived in their jurisdictions or who wished to travel or return to their homes across ethnic lines.

According to a State Department official, some people have protected the rights of all citizens regardless of ethnicity; however, the development of democratic police in Bosnia will require a change in Bosnia's political leadership and the control they still wield over the police. Further, many observers told us that this will also require a new generation of police leaders trained in democratic policing. These observers stated that Bosnia's current generation of police leaders—including those installed by President Plavsic—had been trained to serve an authoritarian state rather than the people of Bosnia. The Federation started the process of developing a new generation of professional officers trained in accordance with democratic standards when it opened its new police academy in December 1997. The first class of 100 officers includes 58 Bosnian Croats, 20 Bosniaks, and 22 "Serb or other" students.

Police Restructuring and Judicial Reform Assistance Programs

According to a State Department official, IPTF originally estimated that it would cost about \$110 million to provide training and equipment for Bosnia's civilian police as they participate in IPTF's police restructuring program: \$60 million for the Federation and \$50 million for Republika Srpska. The United States has pledged about \$30 million in fiscal years 1996 and 1997 and requested an additional \$15 million in fiscal year 1998. The State Department spent \$6.2 million to support efforts to train and equip Federation police in fiscal year 1996 and obligated or planned to obligate \$17.4 million to support similar efforts for Federation and Republika Srpska police in fiscal year 1997.¹² The vast majority of the funds were to be used for the Federation, as Bosnian Serb political leaders did not agree to restructure their police forces until late in the year.

Most of the U.S. police training money in both entities was used to fund programs administered by the Department of Justice's International Criminal Investigative Training Assistance Program, including the IPTF's human dignity and basic skills (transition) training courses for thousands of Bosnian police officers (see table 2.1). The program also (1) helped to establish a model police station in Sarajevo—one is planned for each canton and five are now operational—to demonstrate how police stations in a democratic country should function, (2) provided training and

¹²A small portion of the fiscal year 1997 funding went to support police training conducted by the U.N. peacekeeping operation in Eastern Slavonia, according to a State Department official.

instructor and curriculum development for the reformed Federation police academy, and (3) continued forensics and executive development training. The United States also spent about \$2.3 million to provide uniforms and 12,000 pairs of handcuffs for the Federation police. Further, the State Department obligated about \$1 million to the Department of Justice to support similar training programs for Republika Srpska police in Brcko.

According to State Department officials, other countries until recently had not pledged or made major contributions because they disagree with the United States on how to approach police restructuring. They believe that IPTF should be handling all aspects of police restructuring—monitoring, reorganizing, and training—on its own. The U.S. government, however, believes that even with the new IPTF focus on recruiting trainers and playing a more active role in training, the IPTF by itself does not have the training and equipment required for effective restructuring of the Federation police. Up until October 1997, other donors had pledged about \$4.2 million and actually contributed \$2.8 million to the U.N. Trust Fund for police reform, according to State sources. Beginning in late 1997, according to a State Department document, the European Union and other countries did pledge additional funds for police assistance, bringing the total amount promised up to \$23.3 million, although the total amount actually contributed to the U.N. Trust Fund is still less than \$3 million, as of the end of March 1998.

According to State Department officials, a shortage of funding for the program has resulted in delays in providing temporarily certified police with professional training required for full certification. For example, lack of funds delayed the opening of the Federation police academy from September 1 to mid-December 1997, thereby postponing the introduction of the IPTF's planned 6-month recruit training course. The academy needed an estimated \$3 million-\$5 million in renovations.

The international community recognizes that in order to ensure public security in Bosnia, police reform must be accompanied by reform of Bosnia's judicial system, an effort that USAID officials acknowledge will be a massive undertaking for the international community. Large-scale efforts to reform the judiciary have not yet gotten underway, though some donors, including USAID, are funding limited judicial reform efforts. According to a USAID judicial reform grantee, the international community has not yet started to address problems of the court systems at many levels of government; they remain undemocratic and corrupt instruments of government control from the prewar Communist era. The judiciary in

all entities, according to a State Department human rights report, remains subject to coercive influence and intimidation by the authorities or dominant political parties, and close ties exist between courts of law and the ruling parties in many areas.¹³

Creating a Stable Military Balance

A third key element of providing a secure environment in Bosnia is to create a stable military balance in the region. The United States believes that there are two primary factors in achieving a stable military balance: (1) the arms control provisions of the Dayton Agreement and (2) the U.S.-led program to train and equip the Bosniak and Bosnian Croat militaries as they integrate into a unified Federation military.

Arms Control

In 1997, the international community and political leaders of Bosnia's three major ethnic groups continued to implement two of the three arms verification and control agreements called for by annex 1B, articles II, IV, and V, of the Dayton Agreement, although they did so only with strong international pressure and support. The negotiations for the article V regional arms control agreement had not yet begun as of late April 1998.

Article II Confidence and Security-Building Measures in Bosnia

The article II agreement was signed on January 26, 1996, by political leaders of Bosnia's three major ethnic groups and called for measures to enhance mutual confidence and reduce the risk of conflict.¹⁴ To assist in this process, OSCE established a regional arms control monitoring mission in Sarajevo to oversee article II implementation. The political leaders of the three major ethnic groups have generally fulfilled the objectives of the article II agreement, although they required heavy OSCE pressure to do so. Specifically, they (1) declared their holdings of heavy weapons; (2) completed scheduled inspections of those holdings under OSCE auspices; and (3) exchanged information and military liaisons, established other communications links, and participated in joint visits and seminars.

While U.S. and OSCE officials stated that they were generally satisfied with the degree of compliance demonstrated by the parties in 1997, they also said that military liaison missions were meeting twice monthly only under OSCE pressure. They also noted that the parties were not using the defense ministry "hot lines" that had been established. Because of these problems,

¹³For example, a judge on the Republika Srpska Constitutional Court was severely beaten by thugs prior to his presiding over a major, politically related case on the legality of President Plavsic's call for new parliamentary elections.

¹⁴Negotiations conducted under annex 1B, article II, of the Dayton Agreement resulted in the "Agreement on Confidence- and Security-Building Measures."

U.S. and OSCE officials believe that the parties cannot continue the article II process in 1998 without significant international involvement. According to these officials, OSCE will review the need for the continued presence of its arms control mission in Bosnia in June 1998.

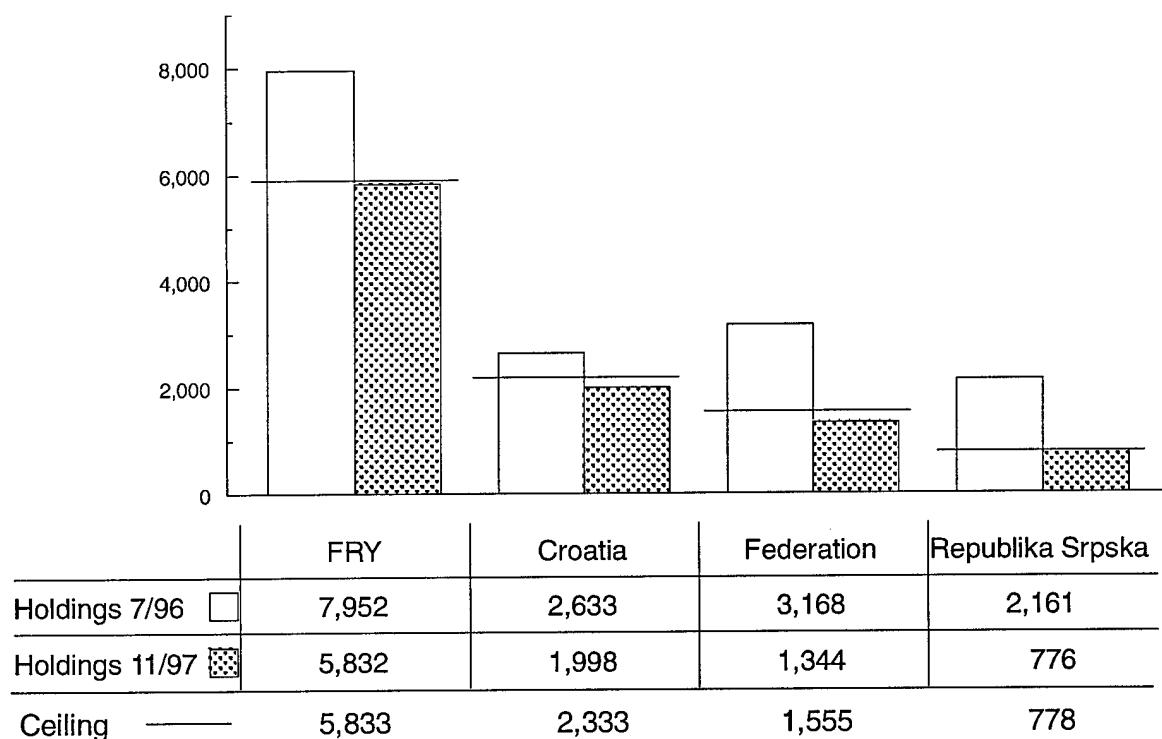
Article IV Subregional Arms Control Agreement

The second agreement, the article IV subregional arms control agreement of June 1996, was signed by political leaders of Bosnia's three major ethnic groups as well as Croatia and the Federal Republic of Yugoslavia, to reduce arms and military forces to balanced and stable levels.¹⁵ These parties made substantial progress during 1997 in implementing the outstanding provisions of the article IV agreement. Specifically, the parties (1) completed an additional round of scheduled inspections (beyond those completed in 1996) of all five parties' declared heavy weapons holdings; (2) remained under the voluntary manpower limits that they established in 1996; (3) periodically updated their heavy weapons declarations; and (4) met the October 31, 1997, deadline for reducing their declared surpluses of heavy weapons. Altogether, the five militaries destroyed or disposed of nearly 6,600 surplus heavy weapons—about 40 percent of their combined heavy weapons holdings—by that date. Thus, at the end of 1997, the parties were below the heavy weapons ceilings established by the article IV agreement (see fig. 2.2).¹⁶

¹⁵Negotiations conducted under annex 1B, article IV, of the Dayton Agreement resulted in the "Agreement on Sub-regional Arms Control," signed on June 16, 1996. Bosnia's three major ethnic groups were represented by the governments of the Republic of Bosnia and Herzegovina, the Republika Srpska and the Federation. The parties agreed to regularly participate in a consultative commission in Vienna to monitor article IV implementation.

¹⁶The parties disposed of 6,455 of these surplus heavy weapons by cutting them up in accordance with the standards established by the Conventional Force Reduction in Europe agreement. OSCE reported that the parties exported, converted into training units or nonmilitary uses, or lost through accidents an additional 125 weapons.

Figure 2.2: Heavy Weapons Holdings and Ceilings Under Article IV



Legend

FRY = Federal Republic of Yugoslavia

Note 1: The article IV agreement defined five major categories of heavy weapons to be declared and subject to limitations: (1) battle tanks, (2) armored combat vehicles, (3) combat aircraft, (4) attack helicopters, and (5) artillery with a caliber of 75 millimeters and above. It required the parties to reduce a portion of their surplus heavy weapons by set percentages—40 percent of surplus artillery, combat aircraft, and attack helicopters, as well as 20 percent of surplus tanks and armored combat vehicles—by December 31, 1996, and to reduce 100 percent of their surplus heavy weapons by October 31, 1997.

Note 2: The Bosniak and Bosnian Croat militaries declared their heavy weapons together as the Federation Army. The Federation imported about 116 tanks, 122 armored personnel carriers and other combat vehicles, and 204 artillery pieces under the U.S.-led train and equip program during 1996 and 1997. Acquisition of the artillery required the Federation to reduce its artillery holdings by 126 pieces during the first week of November 1997.

Source: OSCE data.

Bosnian Serb political leaders, who had largely failed to comply with the December 1996 interim reduction target, fully met the final target date.¹⁷ U.S. officials attributed the greater compliance of Bosnian Serbs to (1) SFOR's restrictions on the Bosnian Serb military's movement and training as a means of forcing compliance, (2) Bosnian Serb budget and manpower constraints that do not allow them to maintain weapons, and (3) SFOR assistance in transporting weapons to their reduction sites. According to OSCE and State officials, OSCE will remain substantially involved in the article IV inspection processes and will use them to push the parties to report more fully all heavy weapons holdings.¹⁸ For example, according to a State Department official, OSCE will ask the parties to classify several hundred mortars currently excluded from article IV as subject to its heavy weapons limits.

Article V Regional Arms Control Agreement

Negotiations had not yet begun on the third agreement called for by annex 1B, article V, to establish a regional arms control balance in and around the former Yugoslavia, by late April 1998. The Dayton Agreement placed no time limit on these negotiations, nor did it define the geographic area subject to this agreement. According to a State Department official, OSCE did select a Special Representative at its December 1997 meeting in Copenhagen. The Special Representative is expected to begin consultations in the spring of 1998 to set the scope and objectives for article V, under which negotiations can later begin.

Military Train and Equip Program

The U.S.-led international program to equip, train, and integrate the Bosniak and Bosnian Croat militaries into a unified Federation military¹⁹ remains a key element of the U.S. effort to establish a stable military balance in the region and sustain a secure environment in Bosnia.²⁰ The

¹⁷As of the December 31, 1996, interim deadline, Bosnian Serb political leaders had reduced only 45 heavy weapons and had circumvented the article IV agreement by exempting about 1,250 heavy weapons. In December 1996, the Peace Implementation Council required that no more than 5 percent of July 1996 heavy weapons holdings could be exempt from the ceiling and threatened sanctions against the Bosnian Serbs. The Bosnian Serbs then declared they would reduce an additional 1,100 heavy weapons by the final deadline date of October 31, 1997.

¹⁸Some of the difference between SFOR and OSCE figures may be caused by their different counting methodologies and definitions of heavy weapons categories. According to a NATO document and OSCE officials, SFOR established a direct field-level liaison with OSCE weapons experts to refine SFOR cantonment data and to reconcile differences in their heavy weapons counts.

¹⁹Public Law 104-107, section 540, (February 12, 1996) authorized the President to draw down \$100 million in DOD military equipment and services in support of the train and equip program.

²⁰State Department officials stated that the specific weaponry provided under the program would contribute to a stable military balance and would be within the limits of the subregional arms control agreement negotiated under article IV of the Dayton Agreement.

program made significant progress in equipping, training, and establishing integrated structures for the Federation Army in 1997, but the Bosniak and Bosnian Croat militaries still maintain separate chains of command, the troops will require years of additional training and sustainment support, and the force is not projected to have a fully integrated defensive and deterrence capability until beyond the year 2000.

As of April 1998, the total pledges and contributions to the train and equip program were about \$389 million, including \$109.1 million from the United States, with a total of 14 countries pledging cash, equipment, training, or other support.²¹ For example, foreign donors provided in full the \$147 million in cash they pledged in 1996 plus an additional \$5 million contributed in 1998; the majority of the donated or purchased military equipment has been delivered to the Federation (see fig. 2.3); and Bosniak and Bosnian Croat soldiers are or will be trained in Germany, Turkey, Egypt, Malaysia, Bangladesh, Qatar, and the United Arab Emirates, while American, Jordanian, and Indonesian trainers have instructed Bosniak and Bosnian Croat soldiers in Bosnia. In addition, the Bosniak military has used donor funds to purchase multiple-launch rocket systems, and 532 trucks and trailers; moreover, it started producing artillery, helmets, and small arms ammunition in state-owned factories. See appendix III for additional details on the status of the train and equip program.

²¹According to State Department officials, many donors did not place a monetary value on in-kind assistance. The program added one donor in 1997, when Jordan provided training.

The U.S. firm contracted by the Federation to train and integrate the Bosniak and Bosnian Croat militaries—MPRI—largely met the objectives of its first phase of its 2-year contract, which is valued at about \$80 million.²² According to State Department and contractor officials, phase I of the contract—which ended in September 1997—achieved the following:

- The integrated Ministry of Defense, the Joint Military Command, the joint logistics and training commands the contractor helped establish and train are now at least partially staffed and beginning to function. As of October 1997, the new joint logistics command was starting to distribute the small arms and some types of equipment donated by the United States.
- The contractor has completed “train the trainer” courses in small unit tactics for 9 of the 15 Bosniak and Bosnian Croat brigades using U.S.-supplied light weapons.
- The Federation Army School, which was established by the contractor in October 1996, trained about 1,900 Bosniak and Bosnian Croat officers and noncommissioned officers in its first year. The school’s leadership and technical training ranged from basic non-commissioned officer’s classes up to brigade and battalion commander and staff courses.
- The Federation Army combat simulation center near Hadzici opened in January 1997 and has provided brigade and battalion staff training for Bosniak and Bosnian Croat commanders and staff. In keeping with the Federation Army’s defensive strategy, the training emphasizes defensive warfare.

The contract was extended for an additional year on September 6, 1997, according to State Department officials. During this phase, the contractor intends to help the Ministry of Defense and Joint Military Command become fully operational, continue to provide individual and unit training, and give instruction in the use of U.S.-donated weapons. The Federation Army School plans to provide training for approximately 1,500 officers and noncommissioned officers in its second year. As of the beginning of May 1998, the contractor had completed training 1,823 Federation Army personnel in the operation and maintenance of the U.S.-provided tanks and armored personnel carriers. The new joint logistics command had also started to distribute the small arms and equipment donated by the United

²²MPRI—formerly known as Military Professional Resources, Incorporated—is a professional services company engaged in military-related contracting in the U.S. and international defense markets. The organization, headquartered in Alexandria, Virginia, was incorporated in 1987 and is owned and operated by former military officers and noncommissioned officers.

States, was planning to distribute weapons donated by four other countries, and was maintaining control over the ammunition.²³

The Federation will need additional financial and material resources to complete and sustain its new force structure, according to State officials, because the \$152 million in cash donations and \$100 million in U.S. drawdown authority is fully committed to existing program requirements. The Federation will also need assistance in maintaining the heavy weapons donated by the United Arab Emirates, Egypt, Qatar, and Turkey. Further, according to contractor personnel, Federation commanders and staff will require 2 or 3 years before these staffs are fully trained in the tactical doctrine being taught at the simulation center. Maintenance personnel will need 3 or 4 years' additional training before they will be able to instruct other personnel on the maintenance of the U.S.-provided heavy weapons.

As of May 1998, Bosnian Serb leaders had not agreed to participate in the military train and equip program under conditions imposed by the United States. Specifically, according to State Department officials, the Bosnian Serb political leaders and military would have to (1) begin to work toward establishing common national defense institutions for Bosnia; (2) end their deep and extensive military relationship with Serbia; and (3) comply with all areas of the Dayton Agreement, including arresting people indicted for war crimes, guaranteeing freedom of movement, and following through on arms control agreements. A senior State Department official acknowledged that Bosnian Croats and Bosniaks have not fully complied with the agreement, but said that they have complied to a far greater degree than have the Bosnian Serbs on such issues as surrendering indictees to the war crimes tribunal, allowing freedom of movement, permitting the return of refugees, and accepting other key elements of Dayton.

²³Contract and U.S. officials noted that in September 1997, SFOR barred the contractor from completing a combat training center facility near Livno until the Federation agreed to (1) locate and compensate displaced Serb property owners in the area and (2) provide guarantees that roads through the area will remain open for civilian transit. According to a State Department official, the Federation addressed these concerns in November 1997, and construction resumed. As of April 1998, the first unit rotation through the center was scheduled for May or June 1998.

Progress in Developing a Unified, Democratic Bosnia

A second principal objective of the Dayton Agreement was to establish Bosnia as a unified, democratic country that would uphold the rule of law and adhere to international standards of human rights. Some progress was made in 1997 and early 1998 in establishing the institutions, laws, and practices of a unified, democratic Bosnia at all levels; the human rights situation improved considerably; ethnic intolerance eased slightly; and the international community's efforts to promote democratic governance and practices showed early results.

Despite the progress made, the country remained a long way from achieving the overall objective: Most multiethnic institutions at all levels of government were largely not functioning or were functioning only as a result of heavy international involvement, the vast majority of Bosnian Serbs and Croats and their political leaders still wanted to be separate from Bosnia, and the human rights situation remained poor and ethnic intolerance strong. Ethnic intolerance and human rights remain particularly volatile, as reflected in the increased number of incidents in these areas from January through April 1998.

Multiethnic Institutions and Laws

Under intense international pressure, some progress was made during 1997 and early 1998 in developing governmental institutions and the legal framework for politically linking Bosnia's three ethnic groups at the national, entity, and municipal levels, as well as in the area of the Brcko supervisory regime. However, the intransigence of political leaders of Bosnia's three major ethnic groups—particularly the hard-line SDS leadership in Pale—continued to block the effective functioning of Bosnia's national institutions. This situation required the High Representative to use his authority to break political impasses in the development of national symbols and laws.

Further, as of May 1998, the new, relatively moderate government in Republika Srpska was still in the process of consolidating the political, security, and financial institutions and resources that would allow it to live up to its pledges of implementing the Dayton Agreement; real power in the Federation remained in separate Bosniak- and Croat-controlled structures; 133 of 136 municipal governments elected in September 1997 had formed but only with strong international involvement; and Brcko's multiethnic institutions were established and functioning only because of the intense international supervision and pressure.

**National Institutions,
Symbols, and Laws**

Since the September 1996 election of Bosnia's multiethnic, collective Presidency and Parliamentary Assembly, elected Bosnian officials from all three ethnic groups have begun to build a national government. Although all key national institutions were established by the summer of 1997, they generally have not functioned as intended, in large part because hard-line SDS political leaders within these institutions impeded their effective operations. In October 1997, the High Representative noted that the internal crisis in Republika Srpska and the regular absence of SDS members of these institutions substantially hampered their work and constituted a major impediment to implementing the Dayton Agreement. By early December 1997, the problems of the non-functioning national institutions led the High Representative to request, and the Peace Implementation Council to approve, an interpretation of his Dayton authority that allowed him to regulate the functioning of national institutions and to impose interim measures when the parties are unable to reach agreement. Table 3.1 shows a list of national institutions and their status as of May 1998.

Chapter 3
Progress in Developing a Unified,
Democratic Bosnia

Table 3.1: Progress in Creating Bosnia's National Institutions, as of May 1998

Institution	Function	Status
Parliamentary Assembly	National legislation to implement decisions of the Presidency, make revenue decisions, approve national budget, and ratify treaties.	Met 10 times in 1997 and twice in 1998; adopted laws on passports and Council of Ministers on December 16, 1997, under intense international pressure.
Collective Presidency ^a	Act as executive of national government.	Met 42 times between October 1996 and May 30, 1998. Presidency members, particularly the Serb member, had repeated, intentional absences that constituted lasting incapacity to perform the duties of the Presidency.
Council of Ministers	Implement policies and decisions of national government.	Met 57 times since initial January 1997 meeting. Small secretariat created on April 15, 1997. Most ministries lack staff, funding, office space, and effective authority. Could not reach agreement on important legislation as a result of Serb member's obstinacy, nor on implementing the Council of Ministers law that would address these shortfalls.
Standing Committee on Military Matters ^b	Coordinate military and arms control matters at national level.	Established on June 1, 1997. Met six times between September 15, 1997, and April 16, 1998, after agreements were reached on the procedures and composition of the committee. International official appointed coordinator to the committee's secretariat in March 1998.
Constitutional Court ^c	Highest appellate court; resolves disputes over constitution and between entities.	Convened May 23, 1997, and established on August 11, 1997. Judges and staff appointed. The court held five sessions but lacks budget for administrative structure.
Central Bank	Act as a simple currency board for first 6 years; issue currency and conduct monetary policy.	Central bank law passed June 20, 1997. Commenced operations on August 11, 1997; separate currencies continue to be used in Bosnia's Serb, Croat, and Bosniak areas.

^aThe collective Presidency consists of three members: one Bosniak and one Croat, each directly elected from the territory of the Federation; and one Serb directly elected from the territory of Republika Srpska.

^bBosnia's Serbs, Croats, and Bosniaks still maintain three separate armed forces, a condition that must evolve into a unified armed forces, according to a State Department official, if Bosnia is to become a unified country. As an interim measure under the Dayton Agreement, the Standing Committee on Military Matters is to coordinate the activities of the armed forces. NATO plans to implement its security cooperation activities with Bosnia's three militaries through this committee.

^cThe other national judicial body established by the Dayton Agreement, the Commission on Human Rights, is functioning with international support. The commission considers human rights violations committed after the agreement went into effect. It consists of an Ombudsperson to investigate alleged violations and a Human Rights Chamber to issue rulings on cases referred by the Ombudsperson or submitted directly by other applicants. OSCE appointed the Ombudsperson for a 5-year term. For the chamber, the Council of Europe appointed eight international members and the parties appointed six Bosnian members for 5-year terms. At the end of 5 years, Bosnia's national government is to assume responsibility for the commission's operations. As of January 1998, the chamber had received 70 cases and had issued five decisions.

Sources: OHR and NATO documents; interviews with State Department and NATO officials.

Because these institutions have largely not functioned as intended, during most of 1997 the political leaders of the three ethnic groups reached agreement on few laws and symbols that would link them politically. In late 1997 and early 1998, the High Representative responded to the political intransigence by ordering the implementation of legislation after Bosnia authorities failed to pass the required legislation on time (see table 3.2). As of May 19, 1998, the High Representative had not exercised his authority that allows him to remove obstructionist, elected officials from office at the national level.¹

Table 3.2: Progress in Developing Bosnia's National Laws and Symbols, as of May 1998

Law or symbol	Status
National flag	Failed to adopt design by December 31, 1997, deadline. OHR declared the establishment of an independent and representative flag design commission on January 12, 1998; the commission proposed three alternatives for the flag on January 26, 1998. The High Representative selected design on February 4, 1998, after Parliament failed to meet deadline. Flag flown at United Nations for first time on February 6, 1998, and at Winter Olympics in Japan.
Ambassadorships	Agreement on ambassadorships reached on August 7, 1997, which called for the Bosniak member of the collective Presidency to appoint 13 ambassadors, the Serb member to appoint 11 ambassadors, and the Croat member to appoint 9 ambassadors. On January 13, 1998, the collective Presidency reached agreement on 32 ambassadors; the remaining ambassador (to the United States) was appointed by the Serb member of the collective Presidency on February 2, 1998.
Common currency	The Presidency failed to adopt the design for the new currency by the January 20, 1998, deadline. The High Representative received and accepted the design from the Central Bank Governor on January 20, 1998, and, with the Governor, introduced the design of new currency, the Convertible Marka, on January 21, 1998.
Citizenship law	After Parliament failed to meet the December 15, 1997, deadline, the High Representative imposed an interim law that took effect on January 1, 1998. ^a
Common passports	The High Representative designated the design in December 1997, which allows the use of Bosnian, Croatian, or Serbian language on the passport. Parliament adopted law on travel documents on December 16, 1997. The new passport is to be issued in May 1998 and is to be recognized by all foreign countries as of June 1, 1998.

^aThis was the first issue on which the High Representative used his authority to arbitrate in cases where the parties are unable to reach agreement.

Source: OHR documents.

New Republika Srpska Government	The election for the Republika Srpska National Assembly, or parliament, on November 22 and 23, 1997, resulted in the SDS losing control of the parliament and in the formation of a more moderate entity-level government. This government is headed by a Prime Minister—Milorad Dodik—who publicly declared support for full implementation of the
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¹The High Representative used his authority to remove the Mayor of Stolac in March 1998 and the Deputy Mayor of Drvar in April 1998.

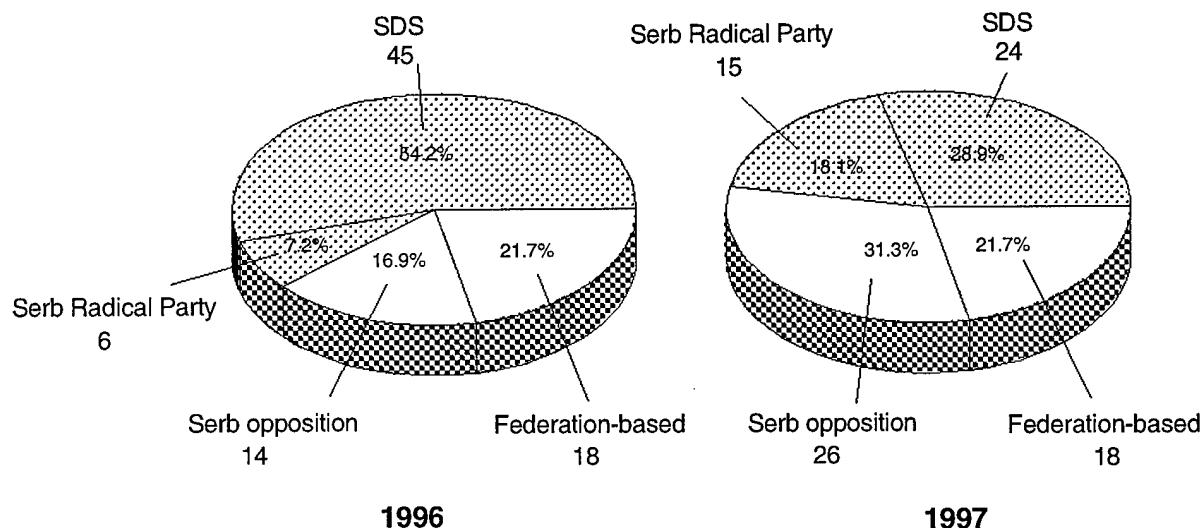
Dayton Agreement. As of May 1998, the new government's control of the political, security, and financial apparatus in Republika Srpska was not yet complete, and its plans and pledges to support Dayton not yet implemented.

In the November 1997 elections, the SDS lost its majority in the parliament, dropping from 45 (of 83) seats to 24 seats and from 52 percent of the vote to 27 percent. Even when in coalition with another hard-line party, the Serb Radical Party, the SDS could no longer control the assembly (see fig. 3.1). President Plavsic's new political party, the Serb People's Union (SNS), was the biggest beneficiary of changes in the parliament, winning 15 seats and 16 percent of the vote.² Another Serb opposition party, the Socialist Party of Republika Srpska (which has strong ties to President Milosevic of the Federal Republic of Yugoslavia), won nine seats in the parliament. The Coalition for a Unified and Democratic Bosnia—led by the ruling Bosniak Party of Democratic Action (SDA)—won the same number of seats, 16, as in 1996, although its total percentage of the vote declined from about 19 percent to about 17 percent.³

²The SNS did not participate in the September 1997 municipal elections because it was founded after the deadline for party registration.

³The political parties that made up the coalition ran separately in the 1996 parliamentary election.

Figure 3.1: Results of the Republika Srpska National Assembly Elections, 1996 and 1997



Legend

Serb opposition (1996) = A coalition of Socialists, Independent Social Democrats, and other parties; Democratic Patriot Block; Serb Party of Krajina; and Serb Patriotic Party

Serb opposition (1997) = Socialists, Independent Social Democrats, and SNS

Federation-based parties (1996) = SDA, Party for Bosnia and Herzegovina, and a coalition of other political parties

Federation-based parties (1997) = Coalition for a Unified and Democratic Bosnia and Social Democratic Party.

Source: National Democratic Institute analyses.

Although an SDS member was reelected as the parliament's President, members of Serb opposition and Federation-based political parties in the parliament elected the new, moderate Prime Minister by one vote and gave

him the mandate to form a new government on January 18, 1998.⁴ This election took place despite hard-liners' attempts to disrupt the proceedings by walking out of the session. On January 31, 1998, at the third parliamentary session, the new Republika Srpska government was sworn in, and the parliament voted to move the seat of government from Pale to Banja Luka.

After being elected Prime Minister, Dodik pledged a clean break with the failed policies of the ultranationalists, promised to cooperate with the international community, and expressed full support for the peace plan, including the right of all refugees to return to their prewar homes. The international community, including SFOR, supported the first meetings of the new parliament and transition to the new government through political and military means. For example, following the election of the new government, SFOR increased patrols and established observation posts in the vicinity of Republika Srpska government offices in and around Pale.

Dodik's election as Prime Minister is viewed by observers in Bosnia as one of the most significant political developments in Bosnia since the signing of the Dayton Agreement. According to the International Crisis Group, a nongovernmental organization operating in Bosnia, before the war Dodik supported non-nationalist policies and reforms; during the war he formed an opposition block of 12 members in the Bosnia Serb parliament and supported all peace initiatives; and after the 1996 national elections, he formed a "shadow government" consisting of three Serbs, three Bosniaks, and two Croats.⁵ Further, in September 1997, after Dodik's party had won a plurality of seats in the Laktasi municipal assembly and tied for the most seats in the Srbac municipal assembly, he invited all former residents who were expelled during the war to return. In forming his new government, the International Crisis Group reported, Dodik continued to break Bosnian taboos. For example, instead of looking to the exclusive support of one ethnic group, he sought the political backing of all ethnic groups.⁶

USIA polling data show that as of mid-February 1998, Dodik had substantial support from Bosnian Serbs, with 69 percent holding a favorable opinion of him. Further, according to OHR documents, Dodik immediately moved to reestablish political and economic ties between Republika Srpska and

⁴Dodik's party of Independent Social Democrats won only two seats in the parliament.

⁵Dodik chose not to stand as a candidate in the 1996 elections, fearing that the antinationalist stance he adopted during the war might harm the prospects of Republika Srpska's nascent opposition coalitions.

⁶The first candidate Plavsic proposed as Prime Minister, Mladen Ivanic, refused to seek the support of non-Serb political parties after he was rejected by hard-line Serb political parties.

Sarajevo, as well as between Republika Srpska and Croatia. The new government received support from the Republika Srpska Ministry of Defense and has been attempting to reunify the entity's state media that had been split during the political crisis.

As of May 1998, however, it was unclear whether the Prime Minister would be able to fulfill his commitments to implement Dayton due to his weak hold on Republika Srpska's political, security, and financial institutions. For example:

- Some observers, including human rights groups, said that Dodik-appointed Ministers of Defense, Justice, and Interior had either expressed limited support for Dayton implementation or were closely associated with hard-line nationalists and individuals indicted by the war crimes tribunal; thus, these individuals may attempt to obstruct efforts to implement Dayton.
- Dodik's government remained threatened by attempts of hard-liners to undermine the government. For example, according to an OSCE report, the President of the Republika Srpska parliament, an SDS member, called a special parliamentary session to be held in Doboj on April 16; during the session, the hard-line SDS and Serb Radical parties intended to hold a vote of no-confidence. The session was cancelled when a boycott by all other parties deprived the session of a quorum. Several reports in late April and early May 1998, including a statement of the President's Special Representative for Dayton Implementation, stated that Milosevic, President of the Federal Republic of Yugoslavia, supported this and other hard-liner attempts to destabilize the government.
- It was unclear whether the new government had gained control of all Republika Srpska police. The new Minister of Interior had moved to depoliticize and reunify the police forces that were controlled by SDS leaders in Pale and by the government in Banja Luka; for example, he named new chiefs to eight of the nine public security centers in the entity. However, there was no evidence that these moves had broken the chain of command extending from the SDS in Pale to police forces in eastern Republika Srpska.
- Dodik was unable to take full control of Republika Srpska revenues, and revenues continued to flow to SDS leaders in Pale. According to an international observer in Bosnia, it was unknown how much of the entity's total revenue was flowing to Dodik's government.

In mid-February 1998, Dodik vowed to quit his position if international assistance to his new government was not quickly delivered, as he needed

funds to pay police, teachers, and civil servants.⁷ On February 24, 1998, the High Representative delivered the first tranche of international assistance to go toward budgetary support for the new government—4 million deutsche marks from the European Union. USAID pledged \$5 million for budgetary support for the new Republika Srpska government, which will be distributed through a grant to OHR. These funds will pay back salaries for government employees, except those of the Ministries of Justice, Defense, and Interior.

Federation Institutions

Some progress was made in 1997 toward the creation of institutions, laws, and symbols of the joint Bosniak-Croat Federation⁸ under intense pressure from the United States and others; however, at the end of the year the Federation was not yet a fully functioning governmental entity, and the Bosniaks and Bosnian Croats still maintained separate administrative structures.

The Federation Parliament met more frequently during 1997. It passed laws on privatization on October 21, 1997, and after international arbitration, on the resolution of territorial issues associated with split and new municipalities on January 22, 1998.⁹ The ministries, particularly the Defense Ministry, have begun to acquire staff and facilities and have started to function; the higher courts have been established and have begun to hear cases; and police restructuring and integration have made some progress in integrating Bosniak and Bosnian Croat police forces at the cantonal and municipal levels. In addition, according to international advisors to the Federation, all 10 of the Federation's cantonal governments were established by October 1997; 9 of 10 cantons had passed laws on courts by late February 1998; and most of the cantons had started to restructure their court systems.

Despite this progress in developing Federation institutions, in April 1998 the High Representative reported that illegal structures of government in the Federation had not been dissolved or integrated, despite three formal

⁷According to a USAID official, USAID would not allow its assistance funds to go through Republika Srpska ministries because the probability of misuse was too high.

⁸The Federation between Bosniaks and Bosnian Croats was established in March 1994.

⁹According to an OHR report, crucial unresolved issues identified by the Peace Implementation Council in December 1997 included (1) the drawing of the borders of Usora Canton in central Bosnia and (2) agreeing upon borders for a total of 49 municipalities in the Federation that were situated on the interentity boundary line. These issues were resolved by the arbitration of the Senior Deputy High Representative, who drew the boundary line for the Usora Canton, enabling the draft law on split and new municipalities to pass through the Federation parliament's House of Representatives.

announcements in 1996 that they had been abolished. According to international observers in Bosnia, real governmental power and authority in the Federation continues to reside in separate Bosniak and Bosnian Croat governmental structures. There, Bosnian Croat political leaders, and some hard-line Bosniak political leaders, carry on their obstruction of the development of Federation institutions.¹⁰

The Bosnian Croats still maintain the administrative structures and symbols of their separate para-state, known as Herceg-Bosna, and continue to use Croatia's education policy and currency, the Kuna, as they did during the war. Bosniaks have also kept their separate institutions, those of the former Republic of Bosnia and Herzegovina, including the Bosniak-controlled internal security service, whose presence has impeded the development of an integrated Federation Ministry of Interior. Furthermore, cantonal governments in areas of the Federation containing a sizable number of both Bosniaks and Bosnian Croats—particularly the Neretva and Central Bosnia cantons—have constantly resisted international pressure to pass laws that would link the two groups and integrate their administrative, police, and court systems. This intransigence is due in large part to hard-line Bosnian Croat leaders.

Municipal Governments

On September 13 and 14, 1997, municipal elections held in Bosnia resulted in the election of multiethnic municipal governments throughout Bosnia, as a number of people, primarily Bosniaks, chose to vote for municipal governments where they lived in 1991. If fully implemented, according to observers, the municipal election results would be a positive step forward in the development of democratic institutions in Bosnia and could help pave the way for creating conditions that would allow people to return home across ethnic lines. However, the election results proved very difficult to implement in many municipalities that had a different ethnic composition before the war, including in Srebrenica.

Recognizing the potential problems, an interagency working group led by OSCE developed a municipal election implementation plan in May 1997 and a final operational plan in mid-October 1997. The implementation plan called for a final certification that confirms which municipal councils had been duly formed by the end of 1997. According to an OSCE official, final certification means that the "shell" of a municipal government has been formed. The implementation plan recognized that candidates who win

¹⁰In particular efforts to build viable Federation institutions were undermined by violence in the Neretva city of Mostar in February and September 1997.

office must be able to travel to municipal council meetings and to move about their municipality without fear of physical attack or intimidation. It called for local police to provide security for council members and for IPTF and SFOR to supervise the development of the security plan. In addition, IPTF and SFOR, together with OSCE and other organizations, were to monitor the plan's implementation through the National Election Results Implementation Committee.

Formation of Municipal Governments Slower Than Projected

In mid-October 1997, an OSCE official told us that OSCE expected that up to 12 of the 136 municipalities¹¹ that held elections would have problems achieving final certification by December 31, 1997, primarily because they would involve installing multiethnic assemblies and governments. Two of the more difficult cases were projected to be (1) Srbrenica, a city that had a prewar Bosniak-majority population but was "ethnically cleansed" by Serbs in 1995; its prewar residents successfully elected a predominantly Bosniak council and (2) Drvar, a town with a predominantly Serb majority before and during much of the war but now populated in large part by Bosnian Croats; Bosnian Serbs won the majority on the municipal council of Drvar.

The OSCE projection proved overly optimistic: as of December 31, 1997, 126 of the 136 municipalities had not yet achieved final certification. An OSCE official told us that OSCE had underestimated the difficulty of establishing municipal governments in many areas. However, according to a State Department official, the unexpected parliamentary elections in Republika Srpska contributed to the early difficulties, as OSCE resources were diverted to administering and supervising the elections from September through December 1997.

On December 10, 1997, in response to the slow pace of implementing the municipal election results, the Peace Implementation Council gave OSCE and OHR increased authority over the installation of municipal governments. Specifically, it gave the OSCE Head of Mission and High Representative final and binding arbitration authority over municipalities that had not fulfilled final certification requirements before February 28, 1998. According to the chairman of the National Election Results Implementation Committee, the committee was using this authority in early 1998 to convoke meetings of noncompliant municipal councils and negotiate solutions that would allow the formation of local governments.

¹¹This figure consists of 135 municipalities and the Mostar City Council. Eighteen municipalities did not hold elections.

International Involvement in
Functioning of New
Governments

Even with this intense international involvement and effort, however, as of February 6, 1998, only 79 of the 136 municipalities that held elections had established their governments and received final certification by OSCE. As of that date, OSCE estimated that 31 municipalities would be subjected to final arbitration by OSCE and OHR. By March 5, 1998, the number of municipalities receiving final certification had increased to 115, leaving 21 municipalities subject to OSCE and OHR arbitration. By early May 1998, 133 municipalities had received final certification,¹² and 3 had received arbitration awards that had not yet been implemented.

According to OSCE officials, final certification alone does not ensure that municipal governments will continue to function in a democratic manner. Recognizing this, the election implementation plan called for an interagency structure that would continue to monitor and report on the functioning of municipal assemblies, thus ensuring that elected candidates are able to carry out their duties as envisioned by the Dayton Agreement. In early February 1998, OSCE officials told us that this envisioned function and structure had not yet been fully defined, nor the level of the international community's involvement in promoting the development of municipal governments clearly articulated. These officials said that the involvement may go beyond monitoring and reporting to include proactive development of local governments.

For Srebrenica, the international community established an interim executive board to replace the elected municipal council, after repeated attempts at crafting a solution mutually acceptable to Bosniak and Serb elected municipal councillors had failed and subsequent arbitration awards were not honored. On April 6, 1998, OHR and OSCE issued a supplementary arbitration award that suspended the work of Srebrenica's elected council and established the interim executive board to be composed of two Bosniaks and two Serbs and chaired by an international official. On April 16, 1998, OHR announced that a U.S. citizen had been appointed as chair of the board and that each of the four local members would choose their deputies from the opposing ethnic group in the days to come. In consultation with the parties, the board will administer Srebrenica municipality under the supervision of the High Representative and the OSCE Head of Mission and will assume authority over all municipal funds, material, and assets.

In early 1998, the OSCE's election appeals subcommission issued decisions that removed from office or otherwise penalized individuals who had

¹²Six of these municipalities had been subject to arbitration.

obstructed the functioning of municipal governments. For example, on April 17, 1998, the subcommission (1) ruled that two SDS councillors and one Serb Radical Party councillor in Srebrenica had obstructed the mediation process and the formation of the municipal government, (2) removed these councillors from office, and (3) banned them from occupying administrative posts in the municipality. The subcommission placed a similar ban on a Coalition party member, who did not hold office, because he also had obstructed mediation sessions. On the same day, the subcommission decided to remove from the Teslic assembly an SDS member who served as the assembly's Vice-President, because this official had used inflammatory language in an attempt to disrupt the implementation process and intimidate Bosniak councillors.¹³

Brcko Institutions

The results of the municipal elections led to the establishment of a multiethnic administration, judiciary, and police force in the strategically important area of Brcko, largely due to the efforts of the interim Brcko supervisory regime. After the municipal elections, the Brcko Supervisor issued three orders (plus amendments) that specified requirements for the establishment of these multiethnic institutions. Based on the voters' registration list and election results, the amendments to the Supervisory orders specified the ethnic composition of the multiethnic administration, police, and judiciary as 52.2 percent Serb, 39.1 percent Bosniak, and 8.7 percent Croat.

In October 1997, the Brcko Supervisor told us that he foresaw nothing but troubles, turbulence, and obstruction from hard-line SDS leaders in Pale in trying to implement Brcko's municipal election results. In early February 1998, OHR reported that obstruction by the Serb parties slowed the process to a pace that only allowed minimum compliance with orders and regulations, saying that the development of Brcko's municipal government had been slow and had required a considerable amount of mediation by OHR. Table 3.3 describes the progress made in establishing Brcko's institutions as of late April 1998.

¹³The subcommission warned that the President of the Teslic assembly, an SDS member, would also be removed if three SDS councillors found to have been guilty of the same inappropriate behavior did not read an apology prepared by the subcommission at the next assembly meeting.

Chapter 3
Progress in Developing a Unified,
Democratic Bosnia

Table 3.3: Status of Establishing Brcko's Multiethnic Administration, Judiciary, and Police, as of Late April 1998

Institution	Requirements in supervisory orders	Status
Multiethnic administration ^b	Municipal assembly was to elect a multiethnic assembly executive ^a and executive branch leadership.	Assembly executives and executive branch leaders were elected by the municipal assembly on November 13, 1997, the day after the SDS-controlled local radio called for the arrest of elected municipal councillors as war criminals.
	The executive branch leaders were to implement a multiethnic administration by December 31, 1997, later changed to May 1, 1998.	Multiethnic executive board was elected, and criteria for OSCE certification were achieved on December 30, 1997.
Multiethnic judiciary ^b	President of Republika Srpska was to appoint seven key posts of a multiethnic Basic Court, Magistrate Court, and Public Prosecutor's office. The Basic Court administrative staff was also to be multiethnic.	When Republika Srpska President failed to appoint court officers by the deadline, the Brcko Supervisor made six of seven appointments on December 5, 1997, and the seventh on December 31, 1997. The SDS refuted the legitimacy of the order on December 9. In total, the supervisor appointed 12 Basic Court Judges and 3 judges of Magistrate Court by December 31, 1997, in consultation with the Republika Srpska President and Prime Minister.
Multiethnic police force ^b	The municipal assembly was to elect a police chief and two deputies from different ethnic groups.	The municipal assembly elected a multiethnic police leadership on November 13, 1997.
	Brcko's police force was to reflect the local ethnic composition and start operations by December 31, 1997.	Brcko's multiethnic police force began to function on December 31, 1997.

^aThe executive consists of a President, Vice-President, and Secretary.

^bBased on the voters' registry and municipal election results, the Brcko Supervisor established the ethnic composition of the multiethnic administration, judiciary, and police as 52.2 percent Serb, 39.1 percent Bosniak, and 8.7 percent Croat.

Source: OHR and U.N. Civil Affairs.

On March 15, 1998, the Brcko arbitration tribunal issued a second decision on the status of the Brcko area.¹⁴ This decision deferred until early 1999¹⁵ a final decision on whether the Brcko area should be transferred to the Federation, remain within the territory of Republika Srpska, or be declared a "special" or "neutral district." In the decision, the tribunal recognized the systematic, blatant, and at times violent attempts of the SDS

¹⁴Only the Presiding Arbitrator, an American, signed the decision.

¹⁵The decision called for a final arbitration phase at the end of 1998.

leaders in Pale to thwart the Dayton objective of returning Bosnia, particularly Brcko, to its prewar multiethnicity, as well as the promise that Dodik's commitment to a multiethnic Bosnia may change the level of Bosnian Serb compliance in Brcko over the coming year.¹⁶

The tribunal's decision called for the continuation of the Brcko supervisory regime under the auspices of OHR because (1) Brcko's new multiethnic institutions were "shallowly rooted"; (2) the SDS and its leaders continued to have influence in the area, keeping tensions and instability high by resisting the Supervisor's efforts to promote Dayton compliance; and (3) Bosnia's national and entity-level institutions had not yet become fully effective. The decision also gave the Brcko Supervisor new authority equivalent to the High Representative's powers. These included the power to remove from office any official considered by the Supervisor to be inadequately cooperative with his efforts to achieve compliance with the Dayton Agreement, to strengthen democratic institutions in the area, and to revitalize the local economy.

**Attitudes Toward a
Unified, Multiethnic Bosnia**

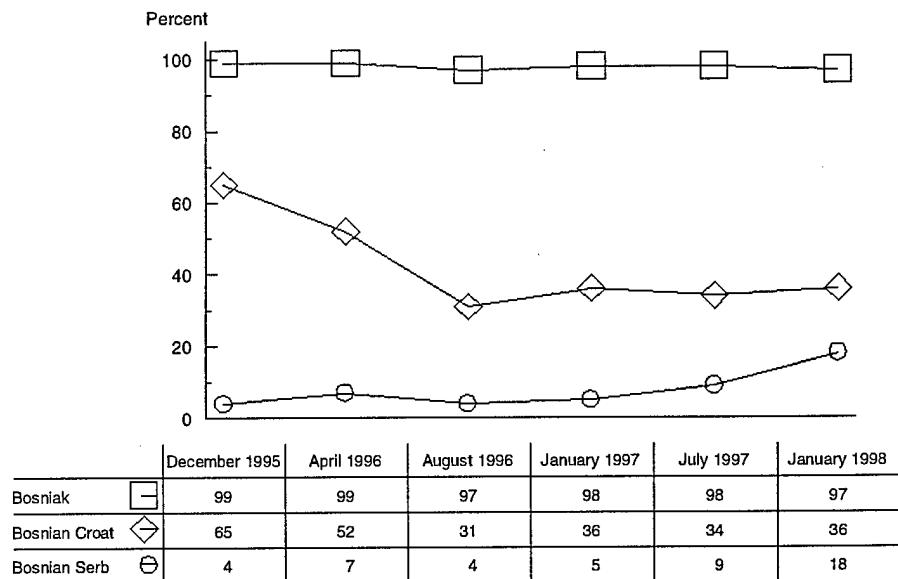
The problems in establishing multiethnic institutions can largely be attributed to political leaders of Bosnia's three major ethnic groups retaining their wartime goals, views that are still largely shared by the ethnic groups they represent. In February 1998, international observers in Bosnia told us that most Bosnian Serb and Croat political leaders still want to establish ethnically pure states separate from Bosnia. According to an international official in Bosnia, the new Prime Minister of Republika Srpska—while more moderate and more willing to work with the international community than nationalist Bosnian Serb leaders—sees himself as the Prime Minister of an autonomous entity and will be constrained in truly unifying the country. On the other hand, Bosniak political leaders continue to profess support for a unified, multiethnic Bosnia, although, according to some observers, with Bosniaks in control.

According to polls conducted by USIA in January 1998, most Bosnian Serbs and Croats still agree with their political leaders that a unified Bosnia should not exist (see fig. 3.2). However, Bosnian Serb support for this goal has increased from 4 percent in late 1995 to 18 percent in early 1998. Furthermore, 92 percent of Bosnian Serbs and 74 percent of Bosnian Croats said that it would be best for their respective areas to become

¹⁶The decision observed that the Federation's record of compliance with Dayton was not perfect, noting evidence that Federation authorities had acted to inhibit the return of former Serb residents to Sarajevo and other communities in the Federation. Many of these Serbs are displaced persons living in the Brcko homes of Bosniaks and Bosnian Croats who would like to return to Brcko.

independent or become part of Serbia or Croatia, respectively. In contrast, almost all Bosniaks have continued to support a unified Bosnia, with 56 percent of them believing a unified Bosnia is worth dying for.¹⁷

Figure 3.2: Support for a Unified Bosnia, by Ethnic Group, December 1995 to January 1998



Note: Bosnia's 1991 census data show that Muslims (Bosniaks) comprised about 44 percent of the population; Serbs, 31 percent; Croats, 17 percent; and "other groups," 8 percent. USIA advises against weighting the results of its polls to get a "total population" average because its samples are designed to give an accurate representation of the views of the predominant ethnic group in their respective areas of dominance, not nationwide.

Source: USIA polling data.

Human Rights and Democratization

In general, though significant problems remain, human rights and other observer reports indicate improvements during the latter part of 1997 in (1) freedom of association and political pluralism; (2) freedom of movement across ethnic boundaries; and (3) freedom of the media. Further, police-related human rights abuses declined and ethnic intolerance eased somewhat during 1997; however, according to SFOR Assessment Cell data, incidents of police abuse and ethnic conflict increased significantly in March 1998 and remained at high levels during

¹⁷USIA data show results for "Bosnian Muslims," not Bosniaks. For the purposes of this report, we have used the terms synonymously.

April. SFOR data also showed that incidents of a political nature had increased in late 1997 but had declined sharply by March 1998.

**Freedom of Association
and Political Pluralism**

According to observer reports, the political environment leading up to elections held in September and November 1997 was much more open than the campaign period for the national elections held 1 year earlier. Nevertheless, the elections were still a long way from meeting international standards as fully free and fair.¹⁸

Much less fraud occurred during the municipal elections than during the September 1996 elections, as OSCE reregistered Bosnia's voting population under international supervision using strict rules for where people could register to vote.¹⁹ OSCE's election appeals subcommission often took action against the three ruling political parties after they violated electoral rules and regulations during the registration process and campaign period, particularly against the SDS and the Bosnian Croat ruling party, the Croatian Democratic Union (HDZ).²⁰ OSCE also deployed an international supervisor to every polling station during the election, a crucial advance over the 1996 elections. One observer report characterized OSCE's administration of the municipal elections as a considerable achievement, despite their technical shortcomings, given the fact that the elections were organized within the context of a conflict resolution process.²¹

Furthermore, the municipal and Republika Srpska national assembly elections contributed to the development of a more pluralistic political culture, particularly in Republika Srpska where opposition political parties significantly increased their representation and broke the hold of the SDS.

¹⁸Bosnia's next set of elections are scheduled to take place on September 12 and 13, 1998. These will include elections for all levels of government, with the exception of most municipalities. (Elections will be held in 10 new municipalities in the Federation.)

¹⁹Bosnia's municipal elections were originally scheduled to take place in September 1996 but were postponed until September 1997 because of widespread fraud in registering Serb voters.

²⁰In one controversial case, the election appeals subcommission made ineligible the entire SDS candidate list in Pale the day after the municipal election because the SDS, through its Pale headquarters, was maintaining Radovan Karadzic in a party position or function, even though he is under indictment by the war crimes tribunal. The OSCE Head of Mission overrode this decision because he feared for the safety of international electoral supervisors who were still in Republika Srpska.

²¹USAID democracy funds paid for contract personnel from the International Foundation for Election Systems to staff OSCE's election unit, including the Director General position, which administered and implemented the September and November 1997 elections. USAID also funded the foundation to provide specialized technical assistance to directly support OSCE in the planning and administration of the elections.

Opposition political parties also improved their showing in Bosniak-controlled areas in the municipal elections, but the SDA and the HDZ remained dominant in Bosniak and Bosnian Croat-controlled areas, respectively.

The elections also had negative aspects of people voting largely along ethnic lines, a situation that observers expected given the recent war and remaining fear and uncertainty of the people that the war is not yet over. And although media access and freedom of association were better for political parties in 1997 as compared with 1996, political parties generally did not campaign in areas of the country controlled by another ethnic group. Further, many opposition parties did not have full access to the media. Also, according to an observer report, the broadcast of extreme propaganda and hate campaigns by the SDS and HDZ during the lead-up to the municipal elections had adverse consequences for the campaign environment and did not in any way serve the electorate or enable it to make informed choices.

**Freedom of Movement
Across Ethnic Boundaries**

According to human rights and other observers in Bosnia, freedom of movement across ethnic boundaries slowly and incrementally improved throughout Bosnia in the second half of 1997, although major impediments discouraged people from traveling freely across ethnic lines at the end of the year. Signs of improvement included (1) increased circulation of private vehicles across the interentity boundary line, with the notable exception of the Prijedor (Republika Srpska)-Sanski Most (Federation) corridor; (2) the institution of several public bus lines by both UNHCR and private companies; (3) approval and heightened interentity cooperation by authorities for assessment and graveyard visits; (4) increased foot and vehicle traffic across ethnic boundaries in the Brcko and Mostar areas; and (5) new roadside markets located along the former front lines. One such market started operating in Mostar in July 1997 that serves both Bosniaks and Bosnian Croat and a second started operating near Zvornik in Republika Srpska that serves both Bosniaks and Bosnian Serbs.

Human rights and other observers attributed the increased freedom of movement to the success of IPTF's police checkpoint policy, which is described later in this chapter. The establishment of joint police forces in some areas of the Federation was cited as a factor in increasing freedom of movement, including in the Mostar area between the predominantly Bosniak east and predominantly Croat west sides of the city. Further,

according to an SFOR document, some of the improvement late in the year was due to an improving political situation in Republika Srpska.

Despite these positive developments, people still feared to drive, visit, or return to their homes across ethnic lines since those who attempted such crossings often suffered incidents of harassment, intimidation, and violence. For example, people who attempted to drive into an area controlled by another ethnic group were easily identified by their license plates²² as likely belonging to a specific ethnic group and subject to police harassment through the collection of illegal visa fees and taxes, particularly by Republika Srpska police, as well as for roadside assaults, robberies, and vehicle hijackings, primarily at night in Republika Srpska. Furthermore, at the end of 1997, local authorities in both entities continued to refer to "lists of war crimes suspects" in an attempt to discourage return of refugees and displaced persons, harass citizens, and deter elected municipal councils of other ethnic groups from taking office. And people attempting to cross ethnic lines to visit or return to their homes suffered numerous acts of intimidation and violence, in some cases including murder. These incidents are discussed in more detail in chapter 5 of this report.

To promote increased freedom of movement across ethnic boundaries, the Peace Implementation Council pressured Bosnia's political leaders to develop a uniform license plate for all areas of the country by the end of 1997. Bosnia's Council of Ministers signed a memorandum of understanding on the development of this license plate on January 28, 1998, and promotion of the plate occurred on February 2, 1998, in Sarajevo and Banja Luka. According to an OHR report, reaching an agreed design for the uniform license plate proved less contentious than resolving other national symbols, as the majority of the people in both entities strongly favored a license plate that would not reveal the driver's ethnic group.

OHR and human rights observers believe that with the issuance of the new plates, freedom of movement across ethnic lines in Bosnia will increase dramatically as the plate's design guarantees anonymity.²³ On April 20, 1998, OHR extended the original deadlines for implementing the new license plates due to technical reasons related to registration documents.

²²Bosniak-, Bosnian Serb-, and Bosnian Croat-controlled areas of Bosnia have separate license plates. In February 1998, OHR called this license plate system one of the biggest obstacles to freedom of movement in Bosnia.

²³The plate consists only of numerals in combinations with the eight letters of the Bosnian alphabet that are identical in both the Cyrillic and Latin alphabets.

By June 1, 1998, the new plate will be compulsory for travel outside Bosnia; by August 31, 1998, it will be illegal for residents to use any other plate for travel within Bosnia.²⁴

Media	<p>In 1997, according to the State Department human rights report, the right to freedom of speech and the press was partially respected in the Federation and in western Republika Srpska, but less so in eastern Republika Srpska. Some progress was made in shutting down offensive media outlets and in establishing more open and independent media, particularly in Banja Luka and in Bosniak-controlled areas of the Federation. Party-controlled media—particularly Croatian State Radio and Television—are the only electronic media available to the vast majority of citizens in Bosnian Croat-controlled areas of the Federation. Party-controlled television is the only television available to roughly half of Bosnia's population until the Open Broadcast Network, an independent television network supported by the international community, is fully functioning. Radio is a freer medium, with independent radio available to about 70 percent of the population.</p>
Republika Srpska	<p>Using the expanded interpretation of his authority granted by the Peace Implementation Council Steering Board in May 1997,²⁵ the High Representative took a series of escalatory actions starting in August 1997 to counter SRT-Pale violations (app. I provides information on these actions). Most importantly, SFOR seized control of five transmission towers of SRT-Pale in October 1997 in order to remove its inflammatory messages (see fig. 3.3).²⁶ In early October, the High Representative dismissed SRT-Pale's managing board, stating that it could not broadcast using these towers until it agreed to be restructured in accordance with western democratic standards. In the interim, only the SRT station in Banja Luka was authorized to continue originating the SRT broadcasts. After parts of the microwave link were stolen from the Veliki Zep hub transmitter in October 1997, OHR and SFOR reconnected the system by leasing a satellite system. The new Republika Srpska government recovered and replaced</p>

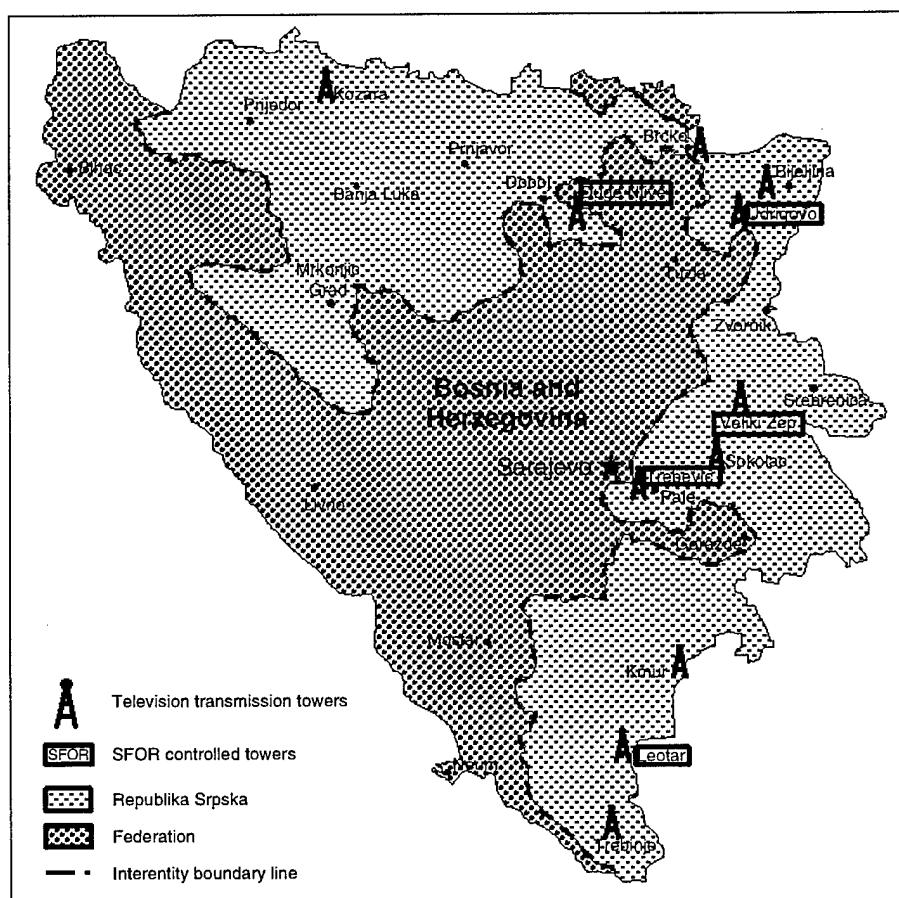
²⁴The original deadlines were April 21, 1998, for travel abroad and June 30, 1998, for travel within Bosnia.

²⁵The Steering Board gave the High Representative the authority to curtail or suspend any media network or program whose output is in persistent and blatant contravention of either the spirit or letter of Dayton.

²⁶Among other things, just prior to and following the evening news, SRT-Pale broadcast pictures of SFOR troops juxtaposed with footage of Hitler and Nazi SS soldiers who occupied Yugoslavia during World War II and referred to the peacekeepers as "SS-FOR."

the microwave links in early 1998. SRT broadcasts now originate from Banja Luka under international supervision.

Figure 3.3: Location of SRT Television Transmitters



Source: Derived from OHR and NATO reports.

Following President Plavsic's break with the SDS leaders in Pale, SRT-Banja Luka began to broadcast its own programming, giving a favorable slant to Plavsic's activities. In comparison with SRT-Pale's earlier broadcasts, however, SRT-Banja Luka broadcasts (1) were generally more open to

opposing views, (2) presented the Dayton Agreement and the international community in a much more favorable light, and (3) began to open a discussion of surrendering indictees to the war crimes tribunal and promoting reconciliation among the ethnic groups.

On February 13, 1998, the new Republika Srpska government signed an agreement with the High Representative in which it agreed to (1) the restructuring of SRT into a public service television station that operates in accordance with western democratic standards of public service broadcasting and (2) the appointment of an international administrator and provision of international technical and financial assistance for the network.²⁷ On April 13, 1998, the SFOR Commander and Prime Minister Dodik signed a memorandum of understanding that could lead to SFOR transferring the control and security of the five SRT towers to the government. As mid-May 1998, SFOR still controlled the towers.

At the end of 1997, according to the State Department human rights report, independent or opposition radio stations broadcast in Republika Srpska, particularly in Banja Luka, but they tended to skirt most significant political issues for fear of retaliation by the SDS. And the SDS still controlled television and radio in some areas of Republika Srpska, including Brcko, using them to broadcast vitriolic, anti-Dayton messages.

Bosniak-Controlled Areas

While generally considered the most open, along with SRT-Banja Luka, the SDA-run, Federation state television station faithfully served the interests of the Bosniak-ruling party, the SDA, giving preferential coverage to SDA leaders and greatly limiting reports on the political opposition. While its broadcasts were often biased, they were rarely inflammatory. Radio broadcasting in Bosniak-controlled areas of the Federation was diverse, and opposition viewpoints were reflected in the news programs of independent broadcasters.

Croat-Controlled Areas

Media access in Bosnian Croat areas remained largely under the control of the HDZ ruling party, and most Bosnian Croats relied on the state-controlled media of Croatia for their information. News programs and editorials on the Croatian state television station frequently criticized the Dayton Agreement, their weather maps showed the Federation as part of Croatia, and coverage of Bosnian events often left the impression that the scene pictured was actually in Croatia. Further, local radio stations in

²⁷The agreement was signed by President Plavsic, Prime Minister Dodik, and the Republika Srpska Minister of Information Vasic. SRT-Banja Luka had already agreed to fully restructure its operation in accordance with the High Representative's democratic media standards on November 3, 1997.

Croat-controlled areas were usually highly nationalistic and did not tolerate opposition viewpoints.

Police-Related Human Rights Abuses	In January 1998, the State Department and the SFOR Assessment Cell reported that police-related human rights violations had declined during 1997, although police continued to commit abuses throughout the country. The most important advance in 1997 was the success of the IPTF checkpoint policy in reducing the number of illegal police checkpoints that had hampered freedom of movement, particularly along the interentity boundary line. Initiated with SFOR support on May 26, 1997, this policy addressed the "inordinate" number of checkpoints by defining as illegal any fixed or mobile checkpoint that (1) was manned by two or more police officers and (2) operated for more than 30 minutes without a valid IPTF checkpoint permit. SFOR supported IPTF in enforcing this policy by confiscating weapons and identity cards of noncompliant police, jointly patrolling with IPTF certain sensitive areas, such as Brcko, and by cooperating in removing 38 out of 151 identified illegal checkpoints (as of March 12, 1998).
	SFOR Assessment Cell data show that the number of incidents of police abuse increased by 86 percent from January through March 1998 and declined slightly in April 1998. According to an assessment cell report, this increase was mainly due to an IPTF "crackdown" on illegal police checkpoints in the zone of separation around Sarajevo. This crackdown resulted in a large number of IPTF noncompliance reports against police, primarily in the Federation.
	Despite this advance, according to observers in Bosnia, Bosnia's political leaders continued to use police as tools for furthering their political aims. For example, according to the 1997 State Department human rights report, Bosnian Serb police often employed excessive force to prevent Bosniak former residents from returning to, or staying in, Republika Srpska; Bosnian Serb police also apparently took no action against the perpetrators of severe incidents involving harassment. Similar problems of abuse occurred in Croat-majority areas. According to the report, IPTF investigated a number of cases of police abuse in Brcko and Banja Luka, as well as in the Croat-controlled town of Drvar; the officers found responsible were either dismissed from the force or fined.

SDA-controlled local police in Velika Kladusa and Cazin continued a pattern of severe police abuses, according to the State Department human rights

report, although the frequency of such acts had greatly diminished since 1996 as a result of intense monitoring and intervention by international human rights organizations. Most of the people abused by local police in these areas were associated with Fikret Abdic, a businessman who led a breakaway Bosniak region during the war.²⁸

Moreover, according to State's human rights report, Bosnia's police and mobs that appeared organized by local authorities committed a few extrajudicial killings; members of security forces abused and mistreated citizens; and police continued to use arbitrary arrest and detention, although to a lesser extent than in 1996. In both entities, police still exercised great latitude based on Communist-era criminal procedure laws that permit the police to detain persons up to 6 months without bringing formal charges against them. In the Federation, the laws were being revised with the aim of eliminating this practice.

Ethnic Tensions and Politically Motivated Violence

SFOR Assessment Cell data show that ethnic tensions—measured in terms of ethnically-related incidents of hostile activity—had decreased during the last third of 1997; these incidents, however, increased by 200 percent from January through March 1998—with a further 16 percent increase by the end of April—as people began to cross ethnic lines to visit or return home. While these occurrences were fewer in January and February 1998 than the year before, they appeared to be more organized than in the past, for example, the burning of potential returnees' houses in Drvar. For March and April 1998, the number of ethnic incidents was higher than the prior year by 41 percent and 130 percent, respectively.

USIA polls indicated that animosity among Bosnia's three ethnic groups remained strong in 1997 but lessened slightly during the year. For example, Bosniaks and Bosnian Croats held slightly more favorable opinions of Bosnian Serbs at the end of 1997 than at the beginning. Further, after a period of dramatically worsening relations during 1996, the percent of Bosniaks holding favorable opinions of Bosnian Croats rose from 42 percent to 59 percent. However, a large majority of Bosnian Serbs and Croats still viewed other ethnic groups unfavorably, and the majority

²⁸According to an observer report, at the beginning of the war, Abdic, who is from Bihać municipality, retained ties to and was able to bargain with Croats and Serbs for the "safety" of the Bihać pocket. On September 27, 1993, Abdic proclaimed the establishment of the "Autonomous Province of Western Bosnia," which had its capital in Velika Kladusa. Abdic was then labeled a traitor by the Bosniak leadership in Sarajevo, and fighting broke out between Abdic supporters (Autonomists) and Sarajevo supporters (Loyalists). In August 1994, the Bosniak army retook the region, and Abdic and his supporters fled into Croatia. These divisions in the area's Muslim community continued after the war and led to politically-related human rights abuses rather than ethnically related ones.

of Bosniaks still held negative opinions of Bosnian Serbs. Appendix IV provides USIA polling data on these issues from December 1995 through January 1998.

In February 1997, the Archbishop of Sarajevo said that Bosnians held negative views of each other because their political leaders controlled and used the media to encourage animosity and discourage reconciliation among the ethnic groups. During the year, the international community took concrete steps to shut down some media outlets that inflamed ethnic animosity and took steps (described later in this chapter) to develop a more open, tolerant media in Bosnia.

Further, according to international observers, the bitter memories from the recent war contributed to the strong ethnic animosities—people remember who killed their family members or forced them from their homes. USIA polls show that despite the slight lessening of ethnic animosity during the year, Bosnian Serbs and Croats would agree that the war has severely harmed ethnic relations in Bosnia. In January 1998, a large majority of Bosnian Serbs (74 percent) and Bosnian Croats (73 percent) believed that the war has done too much damage for people of the three ethnic groups to live together peacefully again. In contrast, only 5 percent of Bosniaks believed that the war had irreparably damaged ethnic relations—91 percent of them believed that Bosniaks, Serbs, and Croats could again live together peacefully, an increase from 65 percent who believed this at the end of the war.

While the SFOR Assessment Cell noted a decrease in ethnic incidents during late 1997, it also noted an increase in “terrorist” incidents in the Federation and Republika Srpska in December 1997 and January 1998. The cell defines “terrorist incidents” as being distinct from ethnic events in that the motive is political rather than ethnic hatred. Examples of these terrorist incidents include conflicts associated with Bosniak/SDA resistance to the return of 600 Bosniaks—supporters of Fikret Abdic and his opposition party—to Velika Kladusa; violent incidents involved with the interparty, intra-ethnic struggles between SDS and SNS members in Bijeljina; a series of explosions in Mostar; and incidents revolving around the implementation and results of municipal elections. The number of politically-motivated terrorist incidents declined significantly over February and March 1998, as the number of ethnic incidents and police abuses increased sharply.

International Programs to Promote Democracy

The democratization projects started during 1996 by many international aid donors—including USIA, USAID, and OSCE—began to show very early results in 1997. These projects were designed to (1) develop alternative and independent media outlets; (2) foster ethnic tolerance and reconciliation within and across the two entities, primarily through support for local political, social, cultural, religious, and business organizations that would link Bosnia's ethnic groups; and (3) develop the institutions and practices of a democratic culture at all levels.²⁹ According to a State Department document, the international community intended that these efforts would constitute part of a long-term democratization effort to counter the continued presence of separatists and unreconstructed, authoritarian centralists in Bosnia.

Alternative and Independent Media

According to OHR and State Department officials, efforts to enlarge and improve access to independent media are at the heart of the international democratization program. As OHR and SFOR sought to break SDS control of SRT broadcasts from Pale, international donors were attempting to develop a more open, objective SRT-Banja Luka and alternative and independent media outlets throughout Bosnia.

Television and Radio

Since late August 1997—when SRT-Banja Luka staff broke from Pale and started alternative broadcasts—the United States has provided equipment to SRT-Banja Luka to help it improve the quality and quantity of its programming. According to SRT-Banja Luka officials, the station's signal could reach about 70 percent of Republika Srpska territory in late October 1997.

The Open Broadcast Network, created in 1996 by the international community, expanded its broadcast range and programming in 1997 with international assistance, though it still did not have Bosnian Croat participation at the end of the year.³⁰ This four-station network³¹ now broadcasts 6 hours daily and, if it were fully funded, would have the ability to expand its coverage from about 50 percent of Bosnia's territory to

²⁹International efforts to develop democratic civilian police forces and judicial systems are described in chapter 2.

³⁰Since early July, SFOR has assisted the development of the Open Broadcast Network with engineering, communications, and logistics support.

³¹The network has a hub in Sarajevo; independent affiliates in Mostar, Zenica, and Tuzla; and a correspondents' bureau in Banja Luka. The Banja Luka bureau has donor-provided facilities to broadcast network programs.

80 percent using state-of-the-art broadcast technology supplied by international donors.

According to the State Department and other reports, the network has been plagued by poor management at its Sarajevo hub and by problems with affiliate relations and funding. The network has not increased its geographic coverage and remains short of operating funds because many donors have failed to provide money they had pledged as of mid-April 1998. Thus, according to USIA polls, as of January 1998, only 50 percent of Bosniaks, 26 percent of Bosnian Serbs, and 21 percent of Bosnian Croats were able to receive the network's broadcasts, although the vast majority of those who had access regularly watched the network's programs. Further, lack of a government licensing agreement hindered the network's ability to attract advertising and its plans to become a self-sustaining enterprise.

During 1997, USAID funded Internews, a California-based nongovernmental organization, to provide on-site technical assistance and training to independent radio and television operations in the Federation and Republika Srpska. USAID's Office of Transition Initiatives helped create and develop 34 Bosnia-based television (7) and radio stations (27), which, according to USAID, reach about 70 percent of Bosnia's population.

Publications

USAID's Office of Transition Initiatives is the leading funder of alternative newspapers and journals (19) in the Federation and Republika Srpska, according to a USAID document. One of these USAID grantees, the publisher of an independent newspaper in Banja Luka, told us that the USAID-provided computers, broadcast equipment, and funds have allowed the organization to open four correspondent bureaus in eastern Republika Srpska. This grantee told us that USAID supported him during 1996 when he and other publishers of independent newspapers were considered "traitors"; now, after the political changes in Banja Luka, they are considered heroes.

According to USAID, total circulation for independent publications increased from virtually none in 1995 to over 100,000 independent dailies, weeklies, and monthlies near the end of 1997. The State Department human rights report noted that some independent media in the two entities assist in the distribution of each others' publications in their respective entities; however, independent publications still face difficulty gaining access to distribution systems in many parts of Bosnia, and their journalists generally cannot freely move across ethnic lines.

Ethnic Tolerance

In mid-1997, some efforts of the international community to counter ethnic intolerance began to reestablish links between Bosnia's ethnic groups that had been broken during the war. According to a September 1997 OSCE report, many OSCE and other internationally sponsored democratization activities in the fall of 1997 resulted in cooperation between the ethnic groups in a way that would have been unthinkable just a few months earlier. At that time, almost all efforts to link the ethnic groups across the interentity boundary line were blocked by hard-line SDS leaders.

Among the 1997 efforts were the following:

- OSCE helped organize an interentity editorial meeting for a youth magazine in Sarajevo that included the participation of young people from Foca/Srbinje, a hard-liner-controlled town in eastern Republika Srpska. The OSCE democratization unit also facilitated the participation of three members of the University of Banja Luka's philosophy faculty in a 1-day conference in Sarajevo, the first time since the war that the academics had attended a conference in Sarajevo.
- As of April 1998, USAID's Office of Transition Initiatives has provided over 300 grants of direct assistance to more than 100 Bosnia-based civil organizations working to build a viable multiethnic civil society in Bosnia, including women's, children's, and refugees' advocacy associations; youth and student groups; private business associations; and legal aid societies. Many of these organizations are linking their activities across the interentity boundary line and across ethnic lines in the Federation, some as a step toward developing countrywide organizations. One such civic organization in Mostar now provides economic support and jobs for its 2,000 displaced Bosniak and Bosnian Croat women members and their families and provides 35,000 more displaced women in the community access to legal, psychological, and economic counseling.
- OSCE sponsored meetings of the national Interfaith Council on several occasions in 1997. The Council has called for the establishment of a multiethnic Truth and Reconciliation Committee to develop an historical accounting of abuses suffered during the war. This effort is also being supported by the U.S. Institute of Peace. According to an institute official, this committee will probably not be established until after Bosnia's September 1998 elections.

Democratic Institutions and Practices	<p>USAID, USIA, and OSCE also supported Bosnian efforts in 1997 to develop governmental institutions that function in a democratic, open manner and to promote democratic practices among Bosnians. For example, USAID funded</p> <ul style="list-style-type: none">• the International City Managers Association to assist in the development of cantonal government structures and transparent budget practices;• the American Bar Association's Central and East European Law Initiative to assist in establishing various working groups to address judicial reform issues and provide technical assistance to strengthen judicial independence in the Federation; and• the National Democratic Institute, which supported political party building in Bosnia with party-building seminars, consultations, and poll watcher training. As part of this effort, the National Democratic Institute worked extensively with opposition parties in Republika Srpska before the 1997 municipal and parliamentary elections.
	<p>Using USAID funds, the International Foundation for Election Systems and the National Democratic Institute also conducted civic education programs throughout Bosnia to educate Bosnians about their rights and responsibilities in a democratic society. For example, the foundation used the municipal election campaign and implementation period to provide information sessions on issues such as the administration and outcomes of municipal elections, the functioning of municipal assemblies and governments, citizens' responsibility to hold elected officials accountable for their actions, and human rights (see fig. 3.4).</p>

Chapter 3
Progress in Developing a Unified,
Democratic Bosnia

Further, USIA has funded civic education activities in Bosnia since 1996, with funds going toward the training of 1,500 teachers, the distribution of 28,000 textbooks, and the participation of an estimated 37,500 students in civic education instruction by the end of 1997. Moreover, USIA's international visitors' programs in the United States have promoted interentity cooperation among Bosnian professionals, educators, and politicians. The newly elected Prime Minister of Republika Srpska, Dodik, was among those who attended an April 1997 visit to the United States on creating effective political opposition organizations in a multiparty, multiethnic democracy.

Progress in Surrendering Indictees to the War Crimes Tribunal

The Dayton Agreement calls for all parties to arrest people indicted for war crimes and surrender them to the war crimes tribunal. According to many international officials and observers in Bosnia, bringing to justice indictees—particularly Radovan Karadzic, a major alleged war criminal—is critically important to furthering the implementation of the Dayton Agreement and bringing peace and stability to Bosnia. Considerable progress was made toward achieving this goal in 1997 and early 1998, but a large number of indictees remained at large due to the noncompliance of Bosnian Serb and Serbian political leaders.

The number of at-large indictees dropped significantly from late April 1997 through early May 1998, largely due to an increase in arrests of indictees as international peacekeepers, particularly SFOR, detained indictees; the Croatian government was pressured by the United States to become more active in facilitating the surrender of indictees to the tribunal; and Bosnian Croats and Bosnian Serbs became more willing to voluntarily surrender. Also, in an attempt to reallocate its resources, the war crimes tribunal withdrew charges against a large number of Bosnian Serb indictees who had not been arrested or surrendered, thereby further reducing the number of at-large indictees.¹

In mid-1997 the international community started taking steps that substantially weakened the hold of Radovan Karadzic and his supporters on the levers of power in Republika Srpska; nonetheless, he remained at large and capable of obstructing Dayton implementation. While the North Atlantic Council, NATO's political leadership, had not mandated that SFOR arrest indictees whom the parties refuse to surrender to the tribunal, SFOR troops will detain indictees when they come upon them in the normal course of their duties, if the tactical situation allows, and surrender them to the tribunal.

Apprehension of Indicted War Criminals Viewed by Many as Vital

According to State Department officials and documents, until indicted war criminals are arrested and turned over to the tribunal, it will be impossible to establish a stable peace in the region. Human rights reports support this conclusion; according to some reports, indicted war criminals control the economy and governmental institutions in many places in Bosnia. Further, according to an expert on Bosnian culture, reconciliation among Bosnians cannot take place until war criminals are brought to justice and held accountable for their actions.

¹See [Former Yugoslavia: War Crimes Tribunal's Work Load Exceeds Capacity \(GAO/NSIAD-98-138\)](#), June 2, 1998 for further information on the work of the tribunal.

During our June 1997 field work in Bosnia,² many officials with whom we spoke were unequivocal in their opinion that Radovan Karadzic must be arrested or otherwise removed from the scene in Bosnia as soon as possible. They told us that Karadzic, a leader who is not accountable to the electorate, is blocking international efforts to work with the more "moderate" Bosnian Serb political leaders in implementing the Dayton Agreement. For example, he had not allowed other political leaders, including elected ones, to abide by agreements they had made with the international community on small-scale attempts to link the ethnic groups politically or economically. Observers also told us then that Karadzic still controlled Republika Srpska financial institutions and police and dominated Bosnian Serb political leaders through a "reign of terror."

In early December 1997, the High Representative said that there can be no lasting peace in Bosnia while so many war crimes indictees remain at liberty. He noted in particular the presence of Radovan Karadzic, whose "malign influence contaminates the entire social, political, and economic atmosphere in Bosnia."

Number of At-Large Indictees Dropped Significantly

From April 25, 1997, through May 27, 1998, the number of at-large indictees dropped from 66 (of 74 named indictees) to 32 (of 62 named indictees)³ because (1) progress was made in surrendering indictees to the war crimes tribunal; and (2) the tribunal decided to withdraw indictments of 14 at-large Bosnian Serb suspects for reasons related to the tribunal's resources, workload, and prosecutorial and investigative strategies. Of the named indictees who remained at large, 30 were ethnic Serbs, almost all of whom were Bosnian Serb, and two were Bosnian Croats. Bosniak authorities had already surrendered the three indictees in their area of control in 1996.

Progress Made in Surrendering Indictees, but Bosnian Serbs and Serbia Have Not Cooperated

Since April 25, 1997, the number of war crimes indictees brought to the tribunal increased from 8 (of 74 indictees) to 30 (of 62 indictees). This progress resulted from the arrest of 1 Croatian Serb suspect that was facilitated by international peacekeeping forces in Croatia; detentions of 4 Bosnian Serb and 2 Bosnian Croat indictees by SFOR; and the negotiated,

²Bosnia Peace Operation: Progress Toward the Dayton Agreement's Goals—an Update.

³All of these figures exclude people indicted for war crimes who have died; one of these people died after April 25, 1997. They include three indictees who voluntarily surrendered to the tribunal but were released prior to trial for lack of sufficient evidence.

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Progress in Surrendering Indictees to the
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voluntary surrender of 10 Bosnian Croats and 5 Bosnian Serbs (see table 4.1).

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Table 4.1: Arrests of People Indicted by the War Crimes Tribunal, April 28, 1997, to May 27, 1998

Date	Number arrested	Event	Type and basis of indictment ^a
April 28, 1997	1	SURRENDER of a Bosnian Croat indictee who was arrested by Croatian police on June 8, 1996, in Split, Croatia. This handover—the first by Croatian authorities—followed an abstention by the United States on a vote by the IMF to approve almost \$500 million in loans to Croatia.	Public indictment dated November 10, 1995; indictee charged with the unlawful treatment of Bosnian Muslim detainees in his capacity as commander of a detention facility in central Bosnia during 1993.
June 27	1	ARREST of an ethnic Serb indictee by war crimes tribunal investigators, facilitated by U.N. peacekeeping troops in Eastern Slavonia, Croatia. This arrest marked the first time an international military force assisted in apprehending a person indicted for war crimes in the former Yugoslavia.	Sealed indictment on March 26, 1996; charged with the November 1991 mass killing of about 260 non-Serb men, forcibly removed from the Vukovar hospital.
July 10	1 ^b	DETENTION of a Bosnian Serb indictee by British SFOR soldiers, who in self-defense shot and killed another indictee after he fired at them. This marked the first time NATO-led troops in Bosnia attempted to detain people indicted for war crimes. The arrest was followed by 3 weeks of low-level violence directed against international organizations in Bosnia, including SFOR.	Sealed indictment covering both suspects on March 18, 1997; charged with complicity with commitment of genocide in Prijedor district between April 1992 and January 1993.
October 6	10	NEGOTIATED, VOLUNTARY SURRENDER of 10 Bosnian Croats, including the most wanted Croat indictee, to the war crimes tribunal. The surrender took place after the United States and the European Union threatened economic and political sanctions against the government of Croatia. The United States helped negotiate the surrender.	Two separate public indictments dated November 10, 1995; 10 suspects were charged with systematic attacks against the Muslim civilian population in Lasva Valley of central Bosnia and the murder of civilians during 1993. Three of the defendants were released on December 19, 1997, due to insufficient evidence to justify proceeding to trial.
December 18	2	DETENTION of two Bosnian Croat indictees by Dutch SFOR soldiers.	Public indictment against one suspect dated November 10, 1995 (see above for charges). Sealed indictment against the other suspect dated November 10, 1995; this indictee charged with attacks on Bosnian Muslim villages in the Lashva Valley, torture or inhumane treatment, and outrages upon personal dignity during 1993.
January 22, 1998	1	DETENTION of a Bosnian Serb indictee by U.S. SFOR soldiers.	Public indictment dated July 21, 1995; among other things, charged with genocide for systematically killing Muslim detainees as acting commander of Luka camp in Brcko during May 1992.
February 14	2	NEGOTIATED, VOLUNTARY SURRENDER of two Bosnian Serbs to SFOR soldiers.	Public indictment dated July 21, 1995; charged with involvement in the "campaign of terror" against the Bosnian Muslim and Croat population of Bosanski Samac municipality during 1992.
February 24	1	NEGOTIATED, VOLUNTARY SURRENDER of a Bosnian Serb to Republika Srpska police.	See above.

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Progress in Surrendering Indictees to the
War Crimes Tribunal

Table 4.1: Arrests of People Indicted by the War Crimes Tribunal, April 28, 1997, to May 27, 1998 (Continued)

Date	Number arrested	Event	Type and basis of indictment ^a
March 5	1	NEGOTIATED, VOLUNTARY SURRENDER of a Bosnian Serb to French SFOR soldiers.	Public indictment dated June 26, 1996, ("Foca indictment"); charged with torture and rape of Muslim women in Foca committed by the indictee and his subordinates during 1992 and 1993.
April 8	2	DETENTION of two Bosnian Serb indictees by British SFOR soldiers.	Public indictment dated February 13, 1995; both indictees charged in their capacities as superiors to others in the Omarska camp, a makeshift facility in the Prijedor district where "the Serb forces killed, raped, assaulted, beat, and otherwise mistreated" Bosnian Muslim and Croat civilian prisoners between May and August 1992.
April 16	1	NEGOTIATED, VOLUNTARY SURRENDER of a Bosnian Serb to war crimes tribunal investigators, with the support of SFOR troops. At the time of his surrender, the indictee was being held on unrelated charges in a prison in Banja Luka. Acting on information that this person was prepared to voluntarily surrender, investigators, with SFOR support, served a copy of the arrest warrants on the relevant prison authorities, who released the accused into the investigators' custody.	Two public indictments against the accused. Under one indictment, dated February 13, 1995, charged with entering the Omarska camp to kill, beat, or otherwise physically abuse Bosnian Muslim and Croat civilian prisoners between May and August 1992. Under the second indictment, dated July 21, 1995, charged with entering the Keraterm camp outside Prijedor town to kill, beat, or otherwise abuse Bosnian Muslim and Croat detainees between May and August 1992.

^aAll indictees who were surrendered to the tribunal during this period entered pleas of not guilty.

^bOne other indictee was shot and killed by SFOR soldiers after he fired at them.

Sources: War crimes tribunal, NATO, and OHR documents

As of May 27, 1998, only Bosnian Serb and Serbian political leaders had not surrendered any people indicted for war crimes in their areas of control; instead, Bosnian Serb indictees voluntarily surrendered shortly after SFOR troops detained Bosnian Serb indictees (U.S. SFOR on January 22, 1998, and British SFOR on April 8, 1998) and after the newly elected, moderate Prime Minister of Republika Srpska, Milorad Dodik, had assumed office (on January 31, 1998). In February 1998, Dodik offered to allow the war crimes tribunal to open an office in Banja Luka and publicly encouraged indictees to voluntarily surrender themselves to the tribunal. He said that his government would not arrest indictees, although he could not and would not attempt to stop SFOR from detaining them and surrendering them to the tribunal.

War Crimes Tribunal
Withdrew Charges

On May 5 and 8, 1998, the tribunal decided to withdraw indictments against 14 at-large Bosnian Serbs.⁴ These indictees had been charged with atrocities against Bosnian Muslim and Croat civilian prisoners held at the Omarska and/or the Keraterm camps outside of Prijedor. The tribunal had previously withdrawn charges against three Bosnian Croats, who had surrendered voluntarily, for lack of sufficient evidence. However, in the case of the 14 indictees, the tribunal's announcement said that the decision to withdraw the charges was not based on any lack of evidence.

According to the tribunal's announcement, this decision was made so that it could reallocate its available resources in a manner that would allow it to (1) fairly and expeditiously respond to a much larger than anticipated number of trials⁵ and (2) maintain its investigative focus on persons who hold higher levels of responsibility or who have been personally responsible for exceptionally brutal or otherwise extremely serious offenses. Given these two aims, the Prosecutor did not consider it feasible to hold multiple separate trials for related offenses committed by people who could appropriately be tried in another judicial forum, such as a national court.

In withdrawing the indictments, the Prosecutor reserved the right to pursue the same or other charges against the 14 accused if the circumstances change, and offered assistance to domestic jurisdictions

⁴The tribunal had issued two indictments in 1995 that covered these 14 people. The tribunal maintained charges against 16 other people who were charged under the same two indictments, 12 of whom were at large and 4 in the tribunal's custody.

⁵The number of trials was larger than expected because suspects who had been jointly indicted had to be tried separately, as the arrest and surrender process had been "unavoidably piecemeal and sporadic."

that in good faith pursued charges of violations of international humanitarian law against any of them. According to a State Department official, an increase in the tribunal's resources would not necessarily result in the Prosecutor deciding to pursue charges against any of the 14 former indictees. Other factors would likely be more important in the Prosecutor's decision to do so. For example, the Prosecutor may decide to pursue charges if the testimony of one of the former indictees is needed to build a case against a high ranking indictee.

Karadzic's Power Declined Starting in Mid-1997

In 1996 and early 1997, the international community failed in its attempts to politically isolate and remove Karadzic from power. For example, in July 1996 he stepped down as head of the SDS under international pressure; however, instead of losing power, according to international observers, Karadzic effectively retained his control over Republika Srpska and grew in popularity among people there. Observers said that Karadzic and his supporters retained control of key levers of power: the police, media, and financial and economic institutions of Republika Srpska.⁶ Further, as of early June 1997, Karadzic and the SDS dominated politics and governmental institutions at the national, entity, and municipal levels in Republika Srpska.

In mid-1997, around the time the division in the Bosnian Serb political leadership became public, the international community began to take steps to weaken the hold of Karadzic and his supporters on key levers of power (see table 4.2).

⁶The Republika Srpska military was neutralized as a source of power when it was brought under IFOR control in 1996, a situation continued by SFOR in 1997.

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Table 4.2: Progress in Removing Karadzic From Power

Area	Progress
Police	<p>Special police were brought under SFOR's authority in August 1997. By early February 1998, SFOR had all Republika Srpska special police under control and surveillance, with SFOR liaison officers attached to each unit; about 1,321 special police officers in Banja Luka, Doboj, and Bijeljina had received temporary certification as civilian police from IPTF. However, not all Republika Srpska special police units were in full compliance with SFOR instructions.</p> <p>Civilian police in 3 of Republika Srpska's 9 public security centers were controlled by Plavsic, while civilian police in the remaining 6 public security centers in central and eastern Republika Srpska were controlled by Karadzic and his supporters in Pale in October 1997. By May 1998, the Minister of Interior appointed by the new, moderate Republika Srpska Prime Minister was attempting to reunify and depoliticize the entity's police; however, it was unclear whether his efforts had broken the chain of command extending from Pale to police forces in eastern Republika Srpska.</p>
Media	<p>Pale-controlled SRT television transmission towers were shut down and secured by SFOR in October 1997, and SRT began broadcasting almost entitywide from Banja Luka shortly thereafter.</p> <p>By May 1998, the new Republika Srpska Prime Minister had reunified and was in the process of restructuring SRT; SFOR still secured the television transmission towers. The SDS continued to control some local television and radio stations in Republika Srpska, although its major media outlets had been shut down.</p>
Financial and economic institutions	<p>The new Republika Srpska government had gained control of substantial amounts of customs and sales tax revenues.^a However, it was unclear how much of the entity's total revenue was flowing to the new government in Banja Luka and how much was flowing to SDS hard-liners in Pale as of May 1998.</p>

^aAccording to an international observer in Bosnia, an important step taken by the new Republika Srpska government was to stop the Federal Republic of Yugoslavia from collecting some of Republika Srpska's customs revenues. In the past, the Federal Republic of Yugoslavia held back and may have redirected some of the revenues collected on behalf of Republika Srpska.

Sources: OHR, OSCE, and IPTF documents; discussions with representatives of the operation's principal international organizations and international observers in Bosnia.

By weakening the hold of Karadzic and the SDS over the media and police, particularly the special police, the international community has reduced his ability to instigate violence against the international community and to block the implementation of the Dayton Agreement. However, his continued control of economic and financial institutions in Republika Srpska, as well as his smuggling activities, diverts revenue from all levels of government and inhibits the entity's economic recovery.

Since June 1997, Karadzic and the SDS have lost substantial power over Bosnian Serb politics and Republika Srpska governmental institutions at the municipal, entity, and national levels, a trend supported by actions of the international community. For example:

- At the municipal level, the SDS lost control of many municipal governments in western Republika Srpska after the September 1997 elections but retained control either alone or in coalition with the hard-line Serb Radical Party in the eastern part of the entity (see fig. 4.1). Further, a number of newly elected SDS candidates resigned from the SDS and joined President Plavšić's new party, the SNS, as did many SDS members throughout Republika Srpska.⁷ The OSCE ruled after the municipal election that moves between parties by elected councillors were legal.
- At the entity level, the SDS lost control of the Republika Srpska parliament as a result of elections held on November 22 and 23, 1997. Further, according to observers in Bosnia, the election of Dodik as Prime Minister of Republika Srpska led to shock among SDS leaders, who in early February 1998 appeared to be in disarray.
- At the national level, the international community undercut the ability of Karadzic and other hard-liners—particularly Momcilo Krajisnik, the Bosnian Serb member of Bosnia's collective Presidency—to impede the functioning of Bosnia's national institutions by supporting the expanded interpretation of the High Representative's mandate in early December 1997. The new interpretation of the mandate allows the High Representative to impose interim measures when Bosnia's political leaders cannot reach agreement and to remove from office any elected representative who consistently does not show up for meetings or otherwise prevents the institutions from effectively conducting their business.

⁷The SNS could not run in the September municipal elections because it was formed after the deadline for parties to register and take part in the election.

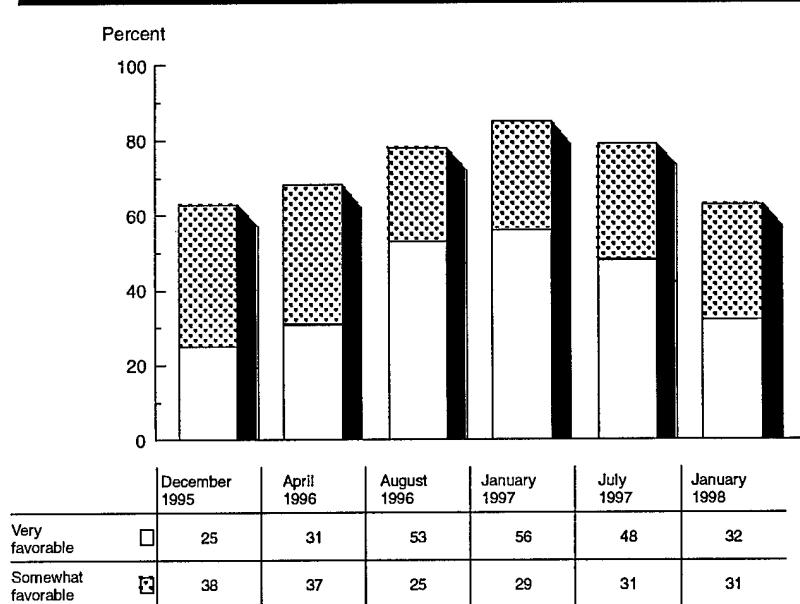
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Figure 4.1: Karadzic-SDS Campaign
Poster From September 1997
Municipal Elections



As the hold of Karadzic and the SDS over the police, media, and political situation in Republika Srpska has weakened, his popularity among Bosnian Serbs has also declined, according to USIA polls, although he still remains very popular (see figure 4.2). In 1997, President Plavsic sought to undercut Karadzic's popularity by conducting an anticorruption media campaign against him and his supporters.

Figure 4.2: Bosnian Serb Opinion of Karadzic, December 1995 to January 1998



Note: In comparison, in February 1998 about 69 percent of Bosnian Serbs had a favorable opinion of Dodik, Republika Srpska's new Prime Minister.

Source: USIA polling data.

While Karadzic has lost a substantial amount of power in Republika Srpska, many international and U.S. officials still believe that he must be arrested and brought to the war crimes tribunal to ensure that the peace process can continue. According to a senior international official, even with the presence of 35,000 SFOR soldiers in Bosnia, the international community appears to be weak and unable to implement Dayton as long as Karadzic remains at large.

Progress in Returning Refugees and Displaced People to Their Homes

Annex 7 of the Dayton Agreement gave Bosnia's 1.3 million refugees and 1 million internally displaced persons the right to freely return to their prewar homes and to have property they lost during the war restored to them.¹ Despite these guarantees and intensive efforts of the international community, political leaders of Bosnia's three ethnic groups, but particularly Bosnian Serb and Croat leaders, continued to prevent large numbers of people from returning to their prewar homes across ethnic lines.²

As a result of their leaders' intransigence, most of the 200,800 refugees that returned to Bosnia and the 223,000 displaced persons who returned home since the signing of the Dayton Agreement have gone to areas where their ethnic group represents a majority of the population. The annual number of returns across ethnic lines increased from about 9,500 in 1996 to about 39,000 in 1997, for a total number of about 48,500 minority returns, as the international community provided a number of political, economic, and security measures to support returns across ethnic lines.³ As of early 1998, however, major political barriers to minority return had not been addressed, and there were no indications that large-scale, orderly returns would occur during the year without an SFOR security presence.

Overview of Minority Returns in 1997

In 1997, UNHCR developed a plan for returning refugees and displaced persons to their prewar homes. The plan recognized the difficulty of returning people to their homes across ethnic lines and therefore established a low estimate for minority returns, which was exceeded during the year. While the overall number of minority returns was low, surveys and reports indicate that a significant majority of affected people do wish to return home across ethnic lines and that the majority of people in Bosnia would support such returns.

¹The 2.3 million refugees and displaced people represent more than 50 percent of Bosnia's 4.4 million prewar population. The Dayton Agreement also gives these people the right to compensation if their property cannot be restored to them. No system or body has been established to provide compensation.

²Annex 7 states, among other things, that political leaders of Bosnia's three ethnic groups, Croatia, and the Federal Republic of Yugoslavia shall ensure that refugees and displaced persons are permitted to return home safely, without risk of harassment, intimidation, persecution, or discrimination, particularly on account of their ethnic origin, religious belief, or political opinion.

³"Minority returns" refers to people that return to areas under the control of another ethnic group. In many cases, the group that is currently in the minority was in the majority before the war and would return to majority status if all internally displaced persons and refugees returned.

**Plans for and Numbers of
Minority Returns**

In the 1997 repatriation and return plan for Bosnia, UNHCR recognized that minority returns would be difficult to accomplish during the year in light of the continuing intransigence of Bosnia's political leaders and the resulting hostile, insecure environment for returnees. The plan, therefore, estimated that although 200,000 refugees would return to areas where they would be in the majority ethnic group, these people would not necessarily return to their prewar homes. UNHCR also hoped for the minority return of 30,000 displaced persons to areas controlled by another ethnic group. UNHCR and the international community planned to use assistance and other means to further these small-scale minority returns and encourage Bosnia's political climate to change from one of separation to one of reconciliation, thereby allowing larger numbers of minority returns.

According to UNHCR data, in 1997 approximately 39,000 people returned to their homes in areas where they were in the minority ethnic group (see table 5.1) compared to 9,500 in 1996, bringing the total number of minority returns to about 48,500 in 1996 and 1997.⁴ Most of these returns occurred in the Federation. UNHCR believes that these figures very likely underestimate actual numbers of minority returns in many areas of Bosnia because many people returned spontaneously to their prewar homes, that is, they were not part of a return program organized by UNHCR or they did not register with the local authorities once they had returned. Appendix VI provides more information on total returns of Bosnia's refugees and displaced persons in 1996 and 1997.

⁴In 1996, over 80,000 others fled or were driven from their homes. Most of these movements occurred after the change of territorial boundaries called for in the Dayton Agreement.

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**Table 5.1: Registered Minority Returns
in Bosnia Since the Signing of the
Dayton Agreement, as of
December 1997**

Entity	Bosniaks	Bosnian Croats	Bosnian Serbs	Total^a
Federation ^b	11,200	24,615	8,317	44,132
Republika Srpska	823	146	N/A	969
Brcko ^c	2,384	72	N/A	2,456
Zone of separation	U/A	U/A	U/A	936
Total				48,493

Legend
 N/A = Not applicable
 U/A = Unavailable

^aUNHCR numbers are generally acknowledged to be the best available on minority returns. However, UNHCR cautions that these numbers should be considered broad estimates only, as they may underestimate minority returns in some areas of the country and overstate them in others, particularly in Sarajevo.

^bAccording to a UNHCR official, Bosnian Croat and Serb political leaders dispute the number of minority returns to Sarajevo, the area with the largest number of minority returns (18,955). Thus, Federation numbers may be overstated. These numbers include returns to the Federation areas of Brcko municipality.

^cIncludes estimated returns to Republika Srpska areas of Brcko municipality as of December 23, 1997.

Sources: UNHCR and OHR data.

Approximately 79 percent of these returns were to Bosniak-controlled areas, 17 percent to Bosnian Croat-controlled areas, and 3 percent to Bosnian Serb-controlled areas. Most of the people that have returned to minority areas are elderly. According to UNHCR, younger people with families are not returning to areas controlled by another ethnic group for fear of personal security and lack of employment opportunities. In many cases, minority returns took place under very difficult conditions and with strong international support in strategically important or otherwise contentious areas such as Brcko, Stolac, Jajce, and Doboj, areas with limited minority returns as recently as June 1997.

As minority returns increased, however, a large number of returning refugees added to the number of displaced persons in Bosnia who could not return to their prewar homes across ethnic lines. While about 120,000 refugees returned to Bosnia in 1997, December 1997 UNHCR and OHR reports indicate that about 50 percent of them, particularly those returning to Bosniak areas, did not go back to their original homes. Instead, they had to

relocate to other areas inside Bosnia because their prewar homes were in areas controlled by another ethnic group.

According to a December 1997 report by UNHCR and the Commission on Real Property Claims of Displaced Persons and Refugees (hereafter referred to as the real property commission),⁵ the “relocation” taking place inside Bosnia by refugees and displaced persons includes (1) passive relocation—the normal case for displaced persons—where the displacement of individuals or groups becomes a *de facto* permanent condition, although the decision to relocate is not freely made and does not respect property rights of original owners; (2) hostile relocation, which involves the deliberate placement of groups of people in housing belonging to other ethnic groups to secure control over territory and prevent minority return; and (3) voluntary relocation through the sale or relocation of property, which occurs with the consent of both parties (that is the original owner and the displaced person). A certain degree of voluntary relocation was expected due to the rural-urban labor migration that accompanies the transition from a planned to a market economy. However, the passive or hostile relocation of large numbers of refugees and displaced persons, according to UNHCR, is a danger to the peace process because it consolidates ethnic separation.

Bosnians’ Support for Returns Across Ethnic Lines

Comprehensive data are not available on how many of Bosnia’s refugees and displaced persons would choose to return home across ethnic lines. However, substantial evidence—including limited polling, observer reports, and the results of the municipal elections—indicates that segments of all three major ethnic groups, particularly Bosniaks, want to return home. According to the December 1997 report by UNHCR and the real property commission, a real property commission survey suggests that while there is an important group considering voluntary relocation, it remains a minority, and that within the Federation, the dominant pressure is for return (see table 5.2). The report further states that the majority of people remain strongly attached to their home of origin, including younger people with families, and are likely to constitute a significant political force for return into the indefinite future.

⁵Return, Relocation, and Property Rights: A Discussion Paper, UNHCR and Commission for Real Property Claims of Displaced Persons and Refugees (Sarajevo: Dec. 1997).

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Table 5.2: Preferences of Displaced Persons Regarding Return

Ethnic group	Figures in percent			
	Yes	Maybe	Subtotal Yes/Maybe	No
Bosniak	79.7	13.4	93.1	6.8
Croat	61.6	21.7	83.3	16.7
Serb	22.5	22.5	45.0	54.9
All three ethnic groups	64.5	17.5	82.0	18.0

Note: The question asked was, "Would you like to return to your prewar home?"

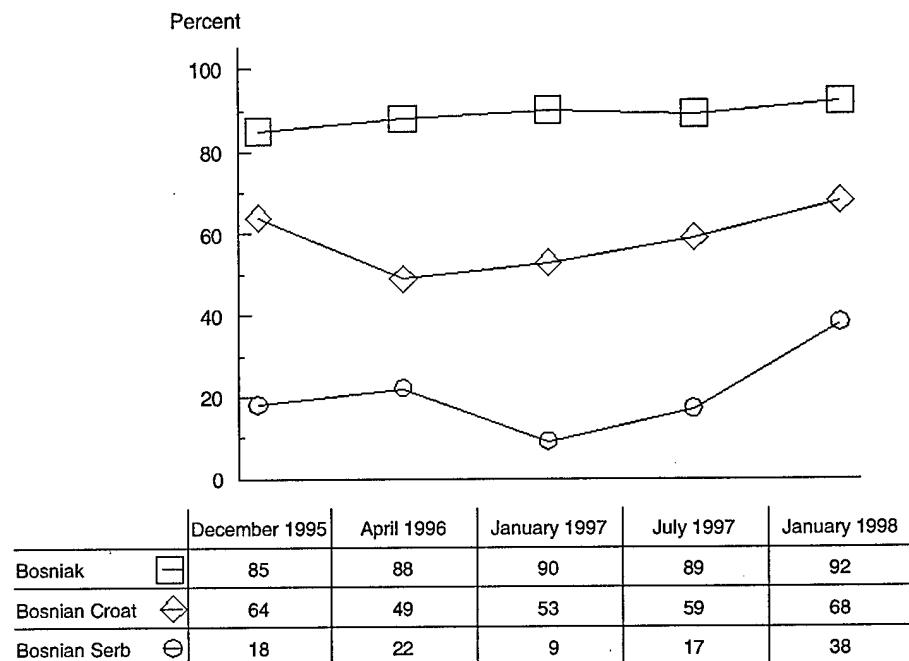
Source: Return, Relocation, and Property Rights: A Discussion Paper, Commission for Real Property Claims of Displaced Persons and Refugees and the United Nations High Commissioner for Refugees (Sarajevo: Dec. 1997).

Under current conditions, according to UNHCR and other reports, many people cannot freely choose whether to return home, primarily because they fear for their physical security if they attempt to visit or return to their prewar homes. Both Bosnian Croat and Bosnian Serb authorities have threatened to cut off humanitarian assistance to or otherwise harass people of their own ethnic group if they attempt to return to their prewar homes in areas controlled by other ethnic groups. These authorities want to keep people from their own ethnic group in their area of control to ensure that the original inhabitants cannot return to their prewar homes and to show that their people support ethnically pure states.

According to public opinion surveys conducted by USIA in January 1998, Bosniak and Bosnian Croats largely support the right of people, including those from other ethnic groups, to return home; the majority of Bosnian Serbs do not support this right, although support for minority returns among Bosnian Serbs has increased significantly since the beginning of 1997 (see fig. 5.1). Specifically, over 90 percent of Bosniaks have indicated that they support returns of people from other ethnic groups, and about 70 percent of Bosnian Croats do so as well. Bosnian Serb support for returns of people from other ethnic groups rose from 9 percent in January 1997 to 38 percent in January 1998; at the same time, strong opposition among Bosnian Serbs to minority returns decreased from 65 percent to 35 percent.⁶

⁶Total opposition among Bosnian Serbs dropped from 88 percent (23 percent somewhat opposed and 65 percent strongly opposed) in January 1997 to 56 percent (21 percent somewhat opposed and 35 percent strongly opposed) in January 1998.

**Figure 5.1: Support for Returns of
People From Other Ethnic Groups, by
Ethnic Group**



Source: USIA polling data.

Despite the poll results, a senior international official told us that individual Bosnian Serbs would accept the return of their former neighbors. Officials in Brcko stated that incidents of violence directed toward returnees of other ethnic groups are generally caused by Serbs who are displaced from other areas and refugees who are manipulated by local authorities or are resentful due to the treatment that their families received during and after the war. According to the December 1997 report by UNHCR and the real property commission, all ethnic groups believed that their inability to return home across ethnic lines was caused by "politicians" rather than "ordinary people."

Minority Returns to Open Cities

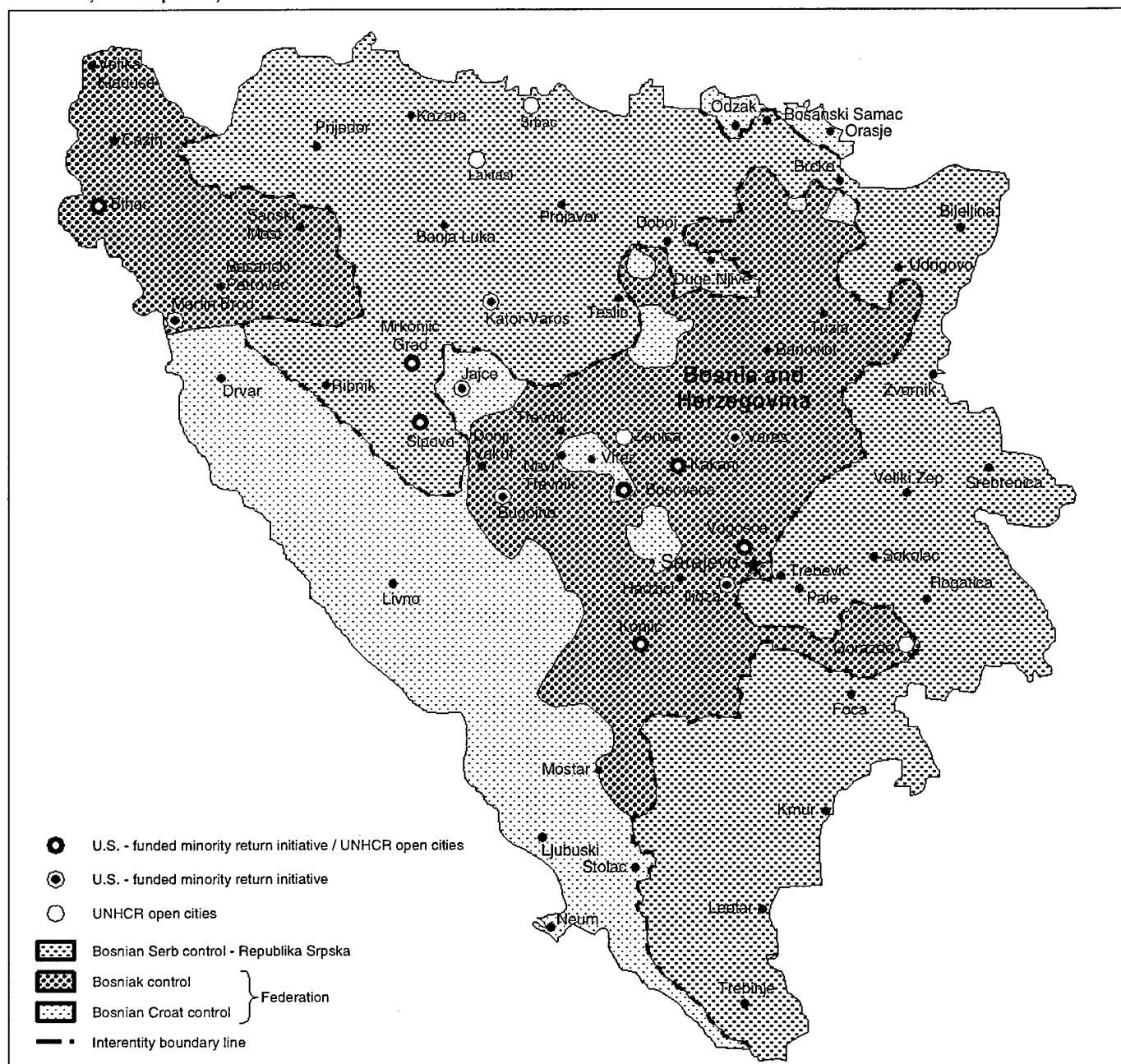
The international community initiated a number of projects in 1997 that condition economic assistance on municipalities' willingness to accept and create an environment conducive to minority returns, including

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UNHCR's Open Cities Initiative and the State Department's minority return initiative. Unlike prior minority return efforts, these initiatives provide economic assistance to the entire community, rather than only to recent returnees, as a means of facilitating minority returns. Figure 5.2 shows the locations of cities participating in UNHCR's Open Cities and the State Department's minority return initiatives as of April 20, 1998.

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Figure 5.2: Locations of Cities in Bosnia Participating in the UNHCR Open Cities and State Department Minority Return Initiatives, as of April 20, 1998



Sources: Derived from UNHCR and State Department documents.

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Table 5.3 shows that during 1997, about 9,560 people had crossed ethnic lines to return home to cities designated as open by UNHCR and/or provided with minority return-related assistance by State. The numbers are low in many cities as the cities only began taking serious steps toward accepting minority returns at the time they were selected to participate in the initiatives. The State Department provided \$9 million to support returns to these cities during 1997. As of April 1998, UNHCR had provided approximately \$12.6 million to support returns to areas participating in its Open Cities Initiative.

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Table 5.3: Returns to Municipalities Participating in UNHCR Open Cities and State Department Minority Return Initiatives

Municipality ^a	UNHCR	State Department	Number of returns ^b
Federation			
Bihac	X	X	75
Bugojno		X	800
Busovaca ^c	X	X	164
Gorazde Canton	X		20
Ilijza		X	N/A
Jajce		X	2,591
Kakanj ^c	X	X	357
Konjic	X	X	358
Martin Brod		X	N/A
Vares		X	2,050
Vogosca ^c	X	X	40
Zenica ^c	X		3,014
Republika Srpska			
Kotor-Varos ^d		X	14
Mrkonjic Grad ^d	X	X	N/A
Laktasi ^d	X		7
Sipovo ^d	X	X	30
Srbac ^d	X		40
Total	11	13	9,560

Legend

N/A = Not available

^aAs of April 1998.

^bRegistered minority returns as of December 31, 1997.

^cUSAID also provided economic assistance to these municipalities through its Municipal Infrastructure and Services Project that was not specifically linked to minority returns.

^dUSAID plans on implementing its Municipal Infrastructure and Services Project in these cities in 1998.

Sources: UNHCR, USAID, and State Department documents.

UNHCR's Open Cities and U.S. State Department Minority Return Initiatives

UNHCR's Open Cities Initiative was announced in March 1997 as a means of encouraging minority returns to cities or municipalities where reconciliation between ethnic communities is believed possible.⁷ The

⁷Of the 25 Federation municipalities and cantons that had applied for UNHCR's open city designation in the spring of 1997, only 6 met UNHCR's requirements for the initiative by the end of the year.

initiative was also intended to provide an incentive to communities to receive minorities and reward those communities that were receptive. Under this initiative, UNHCR designates cities or municipalities as "open" based on a common set of criteria that include a genuine and consistent political will on the part of local authorities to allow minority returns, confirmation that minority returns are occurring or will occur without any abuse of returnees, and demonstrated impartiality of the police. UNHCR and international agencies monitor the progress of returns in open cities, and provide assistance incrementally, in accordance with the progress of returns. UNHCR's recognition of Mrkonjic Grad as the first "open city" in Republika Srpska on December 17, 1997, was a major step in light of past resistance from hard-line SDS members, including Karadzic.⁸

At the time of our mid-October 1997 field work in Bosnia, two of the three UNHCR open cities that we visited—Konjic, a Bosniak-majority area, and Busovaca, a Croat-majority area—were actively promoting minority returns. Vogosca, a predominately Bosniak area in Sarajevo Canton, was not.⁹

- In Konjic, according to UNHCR and IPTF officials, the Mayor (a Bosniak), the Mayor's deputy (a Bosnian Croat), and the Chief of Police were all genuinely committed to allowing people from other ethnic groups to return home and to providing security for those who did return. In Busovaca, returnees and people working on their homes in preparation for return told us that they were not afraid to return nor did they fear that their newly repaired homes would be destroyed. In both locations, significant problems remained in returning people to their homes, such as finding other accommodation for people living in the homes of potential returnees, clearing landmines from farmland, and improving the economy.
- In Vogosca, according to UNHCR officials, the return initiative had essentially stopped after an incident in early August 1997, during which Bosniak displaced persons disrupted an assessment visit of Bosnian Serbs to their prewar homes in Vogosca. Although the Mayor and cantonal police responded appropriately to the violence by protecting the Bosnian Serbs, local extremist political factions had organized a group of Bosniak women displaced from Srebrenica to disrupt the visit. According to UNHCR

⁸According to a senior U.N. official, in June 1997 the Republika Srpska Minister of Refugees was going to submit a list of nine cities in Republika Srpska that wanted to take part in the Open Cities Initiative. However, the Minister was directed not to participate by Karadzic, who effectively maintained control of Republika Srpska at the time.

⁹As of the time of our visit, UNHCR had designated four cities as open: Konjic, Busovaca, Vogosca, and Bihac.

officials, this incident effectively halted any efforts at non-Bosniak returns to the area.

Through its minority return initiative, implemented by nongovernmental organizations, the State Department committed \$9 million in assistance to 13 municipalities during 1997-98—10 in the Federation and 3 in Republika Srpska.¹⁰ As of December 1997, the number of minority returns directly and indirectly facilitated by State's initiative included an estimated 1,100 people (225 families). According to State, in addition to demonstrating progress on minority return, Vares and Bugojno—two Bosniak majority municipalities controlled by antireturn elements of the SDA—were included in the initiative to underscore the U.S. government's conviction that minority returns had to and could occur everywhere. According to the State Department, State at times threatened to cut off assistance to Vares when local officials showed signs of not complying with their agreement to allow people of all ethnic groups to return to their homes. The assistance was never stopped because the officials eventually complied with the terms of the agreement.

Minority Returns to More Contentious Areas

Many minority returns took place in some of the more contentious locations in Bosnia that had seen few returns in 1996 and early 1997. These returns required strong international pressure, as well as SFOR support, to overcome local and higher-level political resistance. Throughout the year, people who attempted to return home across ethnic lines, particularly to strategically important areas, faced extremely difficult, hostile conditions upon their return due to this political resistance. For example, returnees and potential returnees often faced destruction of property (see fig. 5.3); intimidation, beatings, violent evictions, and in some cases murder; the laying of landmines near their homes; local authorities who refused to provide basic services such as water, electricity, or phone service; and local police who did not intervene to protect them or who refused to guarantee their safety. As in 1996, NATO-led forces in Bosnia had to respond to many violent incidents directed against minority returnees.

¹⁰Municipalities selected to receive assistance through the U.S. minority return initiative are chosen based on information collected by the refugee coordinator at the U.S. embassy, or provided by the municipalities, IPTF, OHR, SFOR, UNHCR, and other organizations.

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Figure 5.3: Recently Reconstructed Home That Had Been Subsequently Destroyed in Brcko

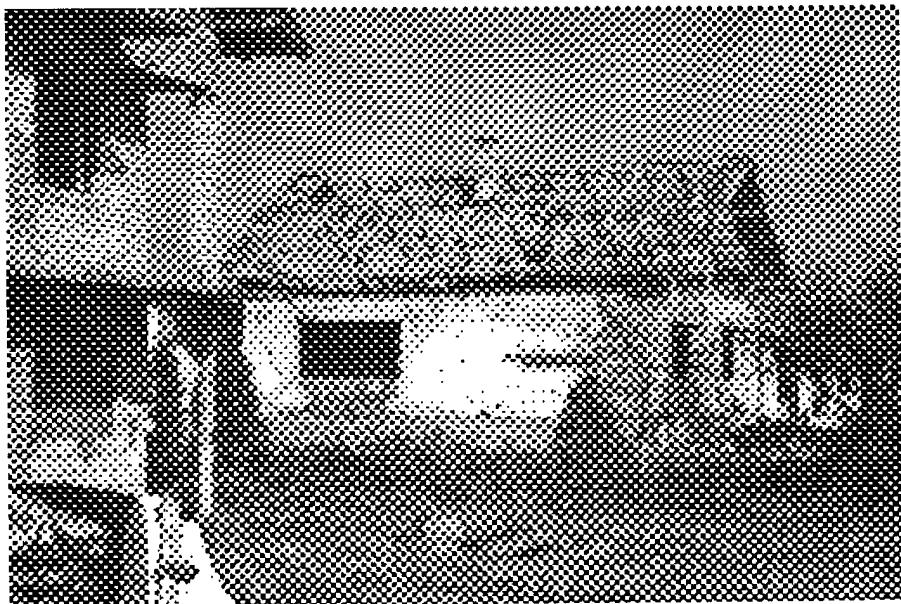


Table 5.4 provides a more detailed description of the difficult circumstances under which people returned to their homes across ethnic lines in the contentious areas of Brcko, Drvar, Jajce, Stolac, and the zone of separation, particularly Doboj.

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Table 5.4: A Description of Minority Returns to Brcko, Drvar, Jajce, Stolac, and the Zone of Separation/Doboj

Area	Description
Brcko ^a	<p>During the war, as many as 30,000 Bosniaks and Bosnian Croats were driven from their homes in Brcko, now a hard-line SDS-controlled town. Since the end of the war, Bosnian Serb authorities have viewed the return of Bosniaks to the Brcko area as a "military campaign" to regain control of the area. In an attempt to prevent Bosniaks from returning to Brcko town, these authorities placed Serb displaced persons in homes that were owned by Bosniaks before the war and manipulated them to instigate violence to keep Bosniaks from returning. This effectively created a "biological front line" along the northern boundary of the zone of separation (which ran between the villages of Bosniak returnees and Brcko town).</p> <p>Since mid-April 1997, the Brcko Supervisor has overseen the returns process for the Bosnian Serb-controlled areas of Brcko to ensure that returns occur in a phased and orderly manner. The Supervisor started by allowing Bosniaks to return to villages within the zone of separation; he later allowed them to return to villages slightly north of the zone, between the biological front line and Brcko town. From January 1, 1997, through June 17, 1997, only 159 displaced families had returned to their prewar homes; none were located outside the zone of separation. By late April 1998, 929 families (primarily Bosniaks) had returned home; many of these people had returned to villages north of the zone of separation, effectively bypassing and surrounding Bosnian Serbs along the biological front line. By that time, the Brcko Supervisor was still looking for ways to move the displaced Serbs either into new housing out of the return area or back to their prewar homes.</p> <p>Incidents of harassment and violence have occurred frequently in the area, largely instigated by local Bosnian Serb authorities who manipulate the vulnerable, displaced Serbs along the biological front line to commit acts of violence against returnees. Although SDS authorities repaired homes, reactivated wells, and provided electricity for these displaced Serbs, they have not provided these services for Bosniak and Bosnian Croat returnees.</p>
Drvar	<p>Prior to and during much of the war, Bosnian Serbs made up almost all of Drvar's population. They fled the area during a Croatian offensive near the end of the war; since then, Drvar has been Bosnian Croat-controlled. During 1997 and early 1998, the ruling Bosnian Croat political party, the HDZ, continued its effort to consolidate the ethnic predominance of Bosnian Croats in Drvar and to prevent Bosnian Serbs from returning home. Vacant Bosnian Serb houses have been burned and looted with the approval of police and municipal authorities, after Bosnian Serbs had visited their homes or had received approval to move back. Because of these actions, more houses have been destroyed in Drvar since the end of the war than during the war. Further, by June 1997, Bosnian Croat political leaders, directed by Croatia, had moved 5,000-6,000 persons—including displaced Croats and Bosnian Croat army members and their families—into Drvar.</p> <p>In September 1997, displaced Bosnian Serbs elected a Drvar municipal council with a majority Serb representation. By the end of the year, 3 Bosniaks and 343 Bosnian Serbs had returned to villages around Drvar. As of March 1998, incidents of violence continued to be directed at non-Croat returnees; a Bosnian Croat army unit continued to be stationed in the center of Drvar; the soldiers occupied hundreds of socially-owned flats that were occupied by Bosnian Serbs before the war; and the civilian hospital had been converted to military use. In early April 1998, the army unit began departing the civilian housing to enable displaced persons to return to their homes, but returnees were still the victims of violence, including arson and murder. In late April 1998, after the murder of an elderly Bosnian Serb couple, the OHR removed the Chief of Police and Deputy Mayor in an effort to stop the incidents of violence from occurring. On April 24, 1998, violent attacks against returnees occurred again. During this incident, the Mayor (a Bosnian Serb) was injured, 180 returnees were driven from their homes, and the local IPTF office was burned to the ground.</p>

^aIncludes returns to the Brcko area of supervision in Republika Srpska.

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Table 5.4: A Description of Minority Returns to Brcko, Drvar, Jajce, Stolac, and the Zone of Separation/Doboj (continued)

Area	Description
Jajce/Central Bosnia Canton	<p>Before the war, Jajce, a municipality in central Bosnia, was populated by Bosniaks (39%), Croats (35%), Serbs (19%), and others (7%); by the end of the war, it was Bosnian Croat-controlled and -populated. During late July 1997, about 435 Bosniak displaced persons attempted to return to their unoccupied, severely damaged homes in five villages near Jajce. These people spontaneously returned home after they saw that local Bosnian Croat authorities allowed Bosniak refugees from Europe to return to their unoccupied homes in the area. A few days after they returned, the local authorities in Jajce instigated a crowd of about 1,000 people to riot against the Bosniak returns. The Chief and Deputy Chief of Police were complicit in this incident and did not attempt to break up the demonstration. The Bosniak returnees fled their homes between August 1 and 3, 1997.</p> <p>In response to this incident, cantonal and Federation authorities, supported by the international community, developed a return plan for Central Bosnia Canton. The Bosniak families who had fled returned to their homes by late August 1997, although they were still subject to harassment. For example, recently laid landmines went off near the returnees homes and, as of October 1997, the local Bosnian Croat authorities had not repaired electricity lines to the villages. As of December 1998, about 2,600 Bosniaks had returned to the Jajce area.</p>
Stolac	<p>Before the war, Stolac was an ethnically mixed municipality of Bosniaks (45%), Croats (32%), Serbs (21%) and others (2%); by the end of the war, it was predominately Bosnian Croat and controlled by hard-line HDZ leaders. In early November 1995, Stolac was designated a UNHCR "pilot project"^b that established a target of returning 100 non-Croat families. As of mid-June 1997, after about 1-1/2 years of attempting minority returns, no non-Croat families had returned to Stolac due to Bosnian Croat authorities' intransigence and failure to provide security for returnees and their property. During that time, houses of potential Bosniak returnees were routinely blown up after Bosniaks had indicated a willingness to return.</p> <p>As of October 1997, 55 Bosniak families had returned home to one area around Stolac. Although these families were living in their prewar homes, they did not send their children to local schools because they feared for their safety and the curriculum was based on the Croatian education system. Bosnian Croat authorities were attempting to "ghettoize" these and future returnees, showing reluctance to allow Bosniaks to return to other areas of Stolac. By March 1998 the number of returns had risen to 96 families. Since incidents of violence continued to be directed at returnees, the High Representative removed the Stolac Chief of Police and Mayor in February and March 1998, respectively; these moves, however, did not stop the violence.</p>
Zone of Separation/Doboj	<p>During 1996 and early 1997, attempts by Bosniak displaced persons to return to their villages in the zone of separation sparked numerous violent incidents that required the intervention of NATO forces. To address this problem, the international community established a process for approving return applications so that returns occur in a phased and orderly manner. Obstruction from Bosnian Serb authorities has blocked people (particularly Bosniaks) from returning home. As of the end of 1997, 489 people had returned to villages in the zone (excluding the area around Brcko). Almost all of these people have returned to villages located around Doboj, a strategically important area for Republika Srpska that before the war was populated by Bosniaks (40%), Serbs (39%), Croats (13%), and others (8%).</p> <p>During the winter of 1996-97, Bosniaks started to resettle in the Doboj area; however, they initially returned only to a village on a hillside that looks away from the city rather than directly down on it. During June 1997, they began to resettle in villages located on more strategically important hillsides that look down on the city. As of October 1997, about 80 Bosniak families had returned to villages on the Republika Srpska side of the zone of separation and about 50 families had resettled on the Federation side. According to IPTF officials, these returns did not result in any large-scale violence because they were organized in accordance with a minority return plan developed by the SFOR contingent stationed near Doboj and agreed to by local Bosnian Serbs and Bosniaks.</p>

^bUNHCR designated four cities as "pilot projects" at Dayton, Ohio, on November 2, 1995, and established a completion date of November 16, 1995, that was not met. This effort, the first program to target minority returns, was designed to return 600 families to the cities of Bugojno, Jajce, Stolac, and Travnik. As of December 1997, 564 families had returned to these cities.

Source: Documents and interviews with officials from UNHCR, IPTF, NATO, OHR, and the State Department.

**Security Measures for
Returnees**

To facilitate the phased, orderly return of refugees and displaced people to particularly contentious areas, the international community in mid-1997 became more active in supporting security measures for returnees. Most importantly, SFOR provided a security presence in many contentious returnee areas, patrolling in a manner that demonstrated SFOR's presence and generally discouraged incidents of violence against returnees. Figure 5.4 shows patrols by U.S. SFOR in Brcko; Spanish SFOR in Stolac; and British SFOR in Jajce. According to a senior NATO officer, NATO plans to add a specialized unit to its military force in Bosnia after June 1998. NATO expects that this unit would allow SFOR to enhance its security presence in minority return areas.

By the fall of 1997, IPTF's efforts to integrate Federation police forces were showing some early, encouraging results. In October 1997, joint Bosniak-Croat police patrols were cited by returnees in Jajce and Busovaca as an important factor in increasing their sense of security. Returnees told us that they believed the police would help them if they requested assistance. In Stolac, Bosniak police had just arrived there and were not jointly patrolling with Bosnian Croat police; still, their presence was viewed as a positive sign by returnees.¹¹ A senior human rights observer in Bosnia told us that where joint police patrols have been instituted—thus far only in the Federation—security conditions and human rights in general have improved. Returnees and observers also stated, however, that SFOR needed to continue its presence in contentious areas to ensure that security problems did not occur.

During 1997, the international community also created a number of commissions that oversee the returns process and attempt to ensure that minority returns do not spark violence. For example, after numerous incidents in the zone of separation, the European Commission, IFOR, IPTF, OHR, and UNHCR in 1996 established a commission to develop procedures for, and monitor progress in, returning people to their homes. A similar international commission was established for monitoring returns to Brcko under the auspices of the Brcko Supervisor. The Supervisor is strictly managing the returns process there in close consultation with SFOR, IPTF, and UNHCR to reduce the likelihood of violent incidents.

**Assistance Provided to
Other Cities Not Officially
Declared Open**

Although authorities of many municipalities are not supporting minority returns, donors still provide economic reconstruction funds to them as a means of assisting in the revitalization of the economy and encouraging compliance with the provisions of the Dayton Agreement. For example, under the Municipal Infrastructure and Services Project, USAID has funded small-scale economic assistance projects in many municipalities that have not been declared "open" by UNHCR or provided with minority return assistance by State. Between July and December 1997, USAID signed memorandums of understanding with 26 such municipalities (excluding those in Sarajevo Canton)—21 in the Federation and 5 in Pale/sds-controlled areas of Republika Srpska—and had provided \$72.7 million in economic assistance to them (\$56.9 million to the Federation and \$15.8 million to Republika Srpska).

¹¹By March 1998, according to a State Department official, these returnees believed that the Bosniaks on the police force only provided symbolic representation for the Bosniak community.

USAID's memorandums of understanding with these municipalities state, among other things, that municipal officials agree to support returns of people including those from other ethnic groups.¹² A senior USAID official told us that the USAID mission does not have the resources to monitor whether municipalities are complying with these conditions. In April 1998, in commenting on a draft of this report, USAID stated that it does require municipalities to demonstrate that they are fulfilling the commitments made in the memorandums of understanding; those that "blatantly disregard" the memorandum lose the assistance. They said that through nongovernmental organizations, other donors, USAID contractors, and other groups and individuals working in Bosnia, USAID is able to monitor the commitment of a municipality to live up to its agreements.

USAID also commented that it only invests in municipalities that are already, by and large, in compliance with the conditions contained in its memorandums. However, our examination and those of other international observers show that some of the municipalities that have signed memorandums and received assistance, such as Doboj, have exhibited poor performance on minority returns and continue to obstruct the returns process.

Minority Returns to Sarajevo

The single largest area where minority returns occurred in 1997 was the return of 13,300 Bosnian Croats to Sarajevo.¹³ The return of minorities to Sarajevo is crucial to support the city's status both as the capital of the Federation and Bosnia and as a model of co-existence and tolerance for the rest of the country. Further, returns of displaced Bosnian Serbs to Sarajevo would help open up housing for non-Serb returnees to Brcko. During 1998, the international community will push for increased returns of non-Bosniaks to the Sarajevo.

To move this effort forward, in February 1998 international and Bosnian officials established the Sarajevo Declaration, which is designed to guide and accelerate the return of minorities to Sarajevo. The declaration contains the general principles that must be followed and the legislative,

¹²Among other things, these memorandums stipulate that (1) officials and citizens of the municipalities will support the returns of people who want to move back to their homes regardless of religion or ethnic origin, (2) municipal officials will ensure that the returnees have the same rights and privileges as any other citizens in the municipality, and (3) local police will ensure and protect returnees' freedom of movement.

¹³According to UNHCR, the actual number of non-Bosniak returns to the Sarajevo Canton remains uncertain because it is based on official estimates provided by cantonal authorities, not on registration figures. Bosnian Croat and Bosnian Serb officials have criticized the official estimates because they believe the actual number of returns is lower.

housing, education, employment, public order, and security issues that must be addressed to enable Bosnian Serbs and Croats to return. In addition, it assigns specific tasks and related deadlines to various organizations such as OHR's Reconstruction and Return Task Force; local police; and Federation Ministry of Social Affairs, Displaced Persons and Refugees. The declaration also calls for the establishment of a Sarajevo Return Commission, comprised of relevant international and Bosnian officials. The commission's role is to oversee the implementation of the provisions of the declaration.

Several Major Issues Remain to Be Resolved

Officials from State, UNHCR, and Bosnia's municipalities have identified several unresolved issues that, even with the security presence provided by SFOR, are hindering minority returns in Bosnia. These issues include (1) breaking the logjam of people living in the homes of potential returnees, (2) revising existing property legislation so that minority returnees can reclaim their homes, and (3) reducing the level of unemployment.

Potential minority returnees often cannot return home because their homes are occupied by people of the majority ethnic group. During our fieldwork, international and local observers described three categories of people who are living in the homes of potential returnees:

- Displaced persons of the majority ethnic group who cannot safely return home across ethnic lines or who are afraid to cross ethnic lines to return home;
- Croatian Serb refugees in Republika Srpska who cannot return home to Croatia because the Croatian government has not created conditions for their return; and
- People of the majority ethnic group who moved to the city from nearby villages during the war. People in this category choose to stay in their city homes even though their prewar homes are located in areas controlled by their own ethnic group. These people sometimes remain in their city homes while their family members move back to their prewar homes in nearby villages, a situation referred to by UNHCR and State as "double occupancy."

During 1997, according to OHR and State, property laws in both entities did not comply with the provisions of the Dayton Agreement and continued to be the largest source of complaints brought to human rights monitors and institutions. For example, the Federation law on abandoned apartments

required persons who left socially-owned apartments during the war to reclaim their property within 15 days of the cessation of hostilities. Since most people could not return within the established time frame, the law ensured that the original occupants could not return to the apartments they occupied before the war. Consequently, this law and others placed insurmountable legal barriers in the path of returnees, effectively blocking hundreds of thousands of people from returning to their homes.

In March 1998, according to OHR and USAID, the Federation, under intense international pressure, passed property legislation that complied with the Dayton Agreement. However, since the laws had only recently been passed, the policies and procedures necessary to implement the laws had not been completed. Republika Srpska had yet to pass any property legislation that complied with Dayton.

Despite the appearances of growth in major cities like Sarajevo, some municipalities are experiencing grave economic conditions. Unemployment is high, and people continue to depend on humanitarian assistance, remittances from relatives living abroad, and black market activity. Unemployment is considerably higher in small villages. Potential returnees view the lack of employment as another reason not to return, and those people that have already returned view new returnees as threats to their future employment. The employment issue must be solved in order for large-scale minority returns to occur.

Plans and Prospects for Minority Returns in 1998

UNHCR's 1998 repatriation and return plan for Bosnia calls for the international community to focus its efforts on minority returns of refugees and displaced persons. In October 1997, international observers noted some positive signs and improved prospects for creating conditions that would favor minority returns. These include the political crisis and potential change in government in Republika Srpska, the softening of attitudes of some Bosnian Serb political leaders, the results of the September 1997 municipal elections, and the progress in developing and implementing a cantonwide return plan in the Federation's Central Bosnia Canton. However, as of early 1998, major political barriers to minority returns had not been addressed, and there were no indications that large-scale, orderly returns would occur during the year without an SFOR security presence.

**UNHCR's 1998
Repatriation and Return
Plan**

UNHCR's main priority in 1998 will be the repatriation of refugees and the return of displaced people to minority areas in Bosnia. In its plan, UNHCR estimates that as many as 220,000 refugees could return to Bosnia in 1998. The actual level of return is contingent upon the occurrence of several actions, including the (1) return of 50,000 minority displaced people to their prewar homes by June 1998 (which would open up housing belonging to refugees and allow them to return home); (2) progress in the normalization of relations among states in the region; and (3) implementation of policy decisions by west European states hosting refugees that would force nonvoluntary returns and would encourage voluntary returns.

Progress in normalizing relations among Bosnia, Croatia, and the Federal Republic of Yugoslavia must occur for these states to develop and implement a coordinated effort to accept potential returnees currently residing in each of these states. In December 1997, the Peace Implementation Council directed UNHCR, in cooperation with authorities of each country in the region and with relevant international organizations, including the OHR, to develop a regional return strategy. As of April 1998, the strategy had not been completed.

Policy decisions made by west European states hosting refugees could force or encourage large numbers of people to return. If there are no changes in the policies of the countries hosting refugees, the refugees may decide to remain where they are. UNHCR realizes that if the actions do not occur, the level of refugee returns in 1998 could be much lower than in 1997.

Even if the actions do take place, UNHCR believes that Bosnia may be unable to absorb 220,000 refugees due to continued housing and employment problems. UNHCR hopes that the Open Cities Initiative and other efforts to encourage minority returns will help overcome housing shortages, unemployment, and other obstacles and lead to a significant increase in minority returns. UNHCR expects to see a considerable number of open cities recognized in 1998. Potential open cities include Donji Vakuf, Tuzla, and Bosanski Petrovac in the Federation and Ribnik and Banja Luka in Republika Srpska. International officials acknowledge that to accomplish this, a strong NATO-led military presence will be required throughout at least 1998, but that in the long term, security will have to be provided by Bosnians, rather than the international community.

International Observers Believe Potential for Minority Returns Could Improve

Although there were no indications as of April 1998 that large-scale, orderly returns would occur during the year without an SFOR security presence, a number of statements by President Plavsic and the results of Republika Srpska Assembly and Bosnian municipal elections are seen as positive steps toward creating an environment more conducive to the return of minorities. International observers in Bosnia view President Plavsic and other moderate Bosnian Serbs as more open to returns of other ethnic groups to Republika Srpska than SDS political leaders, particularly returns to areas where these ethnic groups would not constitute a majority. In late 1997, Plavsic told UNHCR that all of Banja Luka's original inhabitants would be welcome to return, while noting that solutions would need to be found for refugees and displaced people currently living in the city.

The election of a more moderate Republika Srpska parliament in November 1997 and Prime Minister in January 1998 are also viewed as positive steps toward solving the problem of minority returns. In February 1998, the new Prime Minister stated that his goal was to have 70,000 non-Serbs return to Republika Srpska during the year. He also recognized, however, that there are "realistic problems" that may prevent them from returning, including the 35,000 Serbs from other parts of Bosnia and from Croatia who cannot return home and are living in houses belonging to non-Serbs.

The municipal elections held in 1997 are viewed by the international community as a positive step toward creating favorable conditions for minority returns. The elections could provide potential returnees with a sense of security because they believe the newly elected leaders will support them when they return. As of early May 1998, 133 of the 136 municipal governments had been certified as formed by OSCE. However, much work remains to be done to make them functioning governments.

In anticipation of larger numbers of minority returns in 1998, SFOR and OHR's Reconstruction and Return Task Force developed plans to facilitate the phased and orderly return of refugees and displaced people. Likewise, the implementation of the Central Bosnia Canton Return Plan demonstrates to both the international community and potential returnees that the authorities in this area are willing to take steps to create an environment that encourages people to return to their prewar homes. It is estimated that, if completed, the plan could benefit over 100,000 people.

Chapter 5
Progress in Returning Refugees and
Displaced People to Their Homes

According to a senior executive branch official, the Federation and Republika Srpska must develop integrated return policies and procedures that are self managed and effective. Until this is done, the international community, with the support of SFOR, will have to remain in Bosnia to ensure the right of people to return to their prewar homes.

Progress in Rebuilding Bosnia's Economy

The Dayton Agreement's goals for the economy of Bosnia and Herzegovina include economic reconstruction, building national government and Federation economic institutions, and promoting the transition from a command economy to a market economy. To support these goals, the government of Bosnia, with the assistance of the international community, designed a 3- to 4-year, \$5.1-billion assistance program known as the Priority Reconstruction Program. This program gave the international community a framework for the economic reconstruction and integration of Bosnia. In the program's first year, 59 donors—48 countries and 11 organizations—pledged \$1.9 billion for Bosnia's reconstruction program at two donors' conferences held in December 1995 and April 1996.

During 1997, the pace of donor contributions slowed somewhat, as 31 of the program's original donors pledged an additional \$1.2 billion for Bosnia's economic reconstruction, for a total pledge of \$3.1 billion.¹ Economic conditions continued to improve throughout Bosnia in 1997, although progress in Republika Srpska still lagged because donors were withholding assistance due to ongoing noncompliance by hard-line Bosnian Serb political leaders. Signs of progress in the economic reconstruction program were evident throughout 1997. However, the continued obstruction and improper economic and fiscal practices of Bosnia's political leaders threatened Bosnia's economic recovery. The international community and Bosnia's governments recommended actions in 1997 to address shortcomings in Bosnia's public finance system that could generate opportunities for fraud and corruption and lead to improper use of economic assistance going to Bosnia. By the end of the year, donors' practice of attaching political conditions to economic assistance had contributed to some important political changes in Bosnia, but it had not increased the level of cooperation of hard-line Bosnian Serb or Croat political leaders.

International Donor Support in 1997

International donor support to Bosnia's reconstruction program continued in 1997, but the pace of donor contributions slowed from 1996. At a meeting in Brussels in January 1997, international donors estimated that the program needed \$2.5 billion for 1997-98, of which the 1997 requirement is \$1.4 billion. The \$1.2 billion pledged at the third donors' conference in

¹Bosnia and Herzegovina—The Priority Reconstruction Program: Achievements and 1998 Needs, European Commission and the Europe and Central Asia Region of the World Bank (Washington, D.C.: Apr. 1998).

July 1997 fell short of this goal, and the total number of donors declined from 59 in 1996 to 31 in 1997.²

The World Bank and European Commission cited delays in holding the third donors' conference and the political turmoil in Republika Srpska as having contributed to the slowdown in new donor contributions. According to an OHR report, the third donors' conference was scheduled to take place at the beginning of 1997. However, it was postponed several times due to the failure of Bosnia's political leaders to meet the necessary conditions, including the adoption of economic laws—known as the “Quick Start Package”—related to the Central Bank, national budget, external debt management, and customs policies. The approval of these laws by Bosnia's parliament on June 20, as well as the agreement reached between the IMF and Bosnia's authorities on almost all of the elements of a draft agreement on a letter of intent requesting an IMF standby arrangement, cleared the way for the third donors' conference to be held on July 23 and 24, 1997.

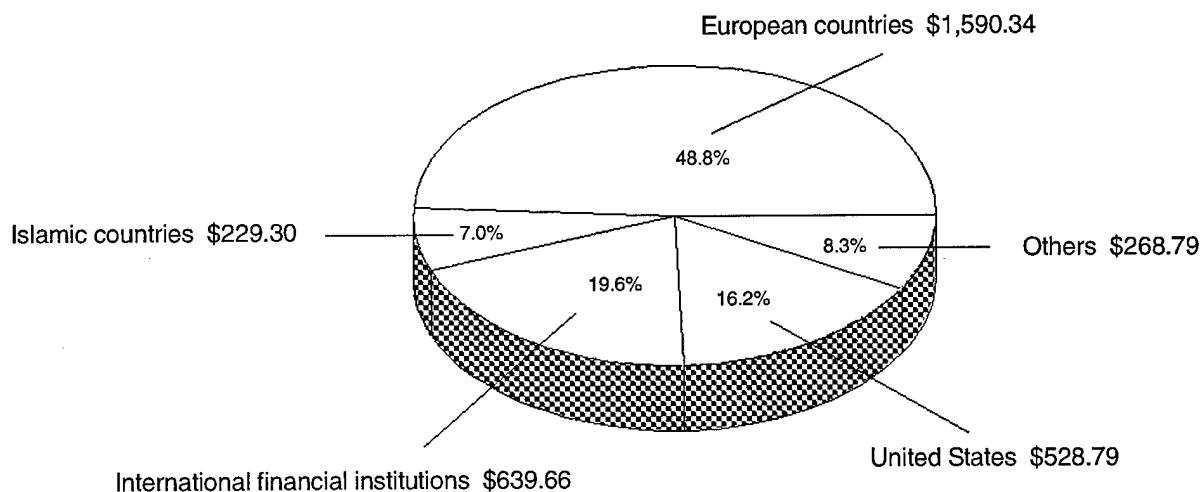
The U.S. government, primarily through USAID, committed \$294.4 million during 1996 and \$234.4 million during 1997 for economic reconstruction. These funds have been primarily used to repair municipal infrastructure and provide municipal services, small business loans, and technical assistance for the development of national and Federation economic institutions. In October 1997, international officials in Bosnia told us that USAID's reconstruction and technical assistance projects were the first to be implemented and the first to show results in many areas of the country.

During 1996 and 1997, donors committed about \$3.3 billion to the Priority Reconstruction Program.³ With \$528.79 million in commitments, the United States was the second leading individual donor after the European Commission (\$698.64 million). As a group, European donors contributed 48.8 percent of the committed funds, and the United States contributed 16.2 percent (see fig 6.1).

²The fourth donors' conference was held on May 7 and 8, 1998. According to a State Department official, 26 nations and 4 international organizations pledged \$1.25 billion for the 1998 program, bringing the total amount pledged to \$4.35 billion. No further details on the conference were available at the time this report went to press.

³Total commitments include both “firm” and “indicative” commitments. A firm commitment is a pledge that has been (1) approved by a national legislative body or multilateral board and (2) allocated to a specific sectoral program or project. An indicative commitment is a pledge that has either legislative approval but is not yet allocated to a specific sectoral program or project or a pledge that has been allocated in principle to a particular program or project but is awaiting legislative approval.

Figure 6.1: 1996 and 1997 Donor Commitments to Bosnia's Priority Reconstruction Program, as of December 31, 1997
(Dollars in Millions)



Note: Donors also pledged funds specifically for Brcko at a donors' conference held in early November 1997. However, OHR Brcko could not provide complete information on the amount of funds pledged or on whether those funds are included in the above totals. As of mid-April 1998, USAID had provided about \$14 million specifically for the area of the Brcko supervisory regime.

Source: Data from Bosnia and Herzegovina—The Priority Reconstruction Program: Achievements and 1998 Needs.

Of the \$3.3 billion committed during the program's first 2 years, an estimated \$1.7 billion—52 percent of the committed funds—had been expended, that is, spent on the ground.⁴ The United States expended more funds than any other donor, about \$847.5 million, or 66 percent of U.S. commitments. Appendix VI provides more information on the Priority Reconstruction Program.

⁴Funds expended represent (1) actual expenditures made against works, goods, and service contracts; (2) the value of assistance delivered in kind; and (3) balance of payments support. The definition of funds expended does not include advances made to implementing agencies for future payments to suppliers. Balance-of-payments support is provided to the government of Bosnia for reserve buildup for imports and the startup of a currency board. The counterpart funds of balance-of-payments support can be used by the government to finance overall fiscal needs, including recurrent costs in different sectors and other reconstruction-related expenditures.

Economic Reconstruction Program Is Showing Results, but Problems Remain

The economy continued to grow significantly but unevenly in 1997. In a number of areas where donor support has been particularly strong—including housing, fiscal and social support, industry/finance, employment generation, and education—implementation has proceeded at a steady pace. Further, the pace of clearing landmines accelerated and there were positive signs of reestablishing economic links between the ethnic groups during the year. In some areas where there have been political disagreements, such as telecommunications and railways, the progress has been slow. The creation and strengthening of common government institutions continues to be a major challenge.

Uneven Progress in Economic Rebuilding

Economic growth in Bosnia, estimated to have been 50 percent in 1996 according to the World Bank, was expected to slow somewhat in 1997 to a growth rate of 35 percent. According to PlanEcon,⁵ in mid-1997 the economy was at roughly one-fifth its prewar level, up somewhat from the 10-15 percent World Bank estimates for 1996. Unemployment, albeit down from its postwar high of 90 percent, is still very high—around an estimated 30 to 40 percent of the labor force at the end of 1997—with wide regional variations throughout the country.⁶ These overall unemployment rates are comparable to those in the immediate prewar period (27 percent in 1991).

Economic recovery in the Federation has been far more robust than in Republika Srpska, which in 1996 had received only 3.2 percent of the international aid being implemented due to the noncompliance of its political leaders with the Dayton Agreement. According to OHR data, gross domestic product in Republika Srpska is estimated at less than a quarter of that of the Federation. At mid-1997, wages in the Federation varied by sector and by canton between \$140-\$200 per month;⁷ in Republika Srpska, wages were estimated to be \$48 a month, with severe delays in wage payments.

Economic Reconstruction Continued Throughout 1997

After 2 years of reconstruction, progress continued to be made in key sectors of the economic reconstruction program. For example,

⁵PlanEcon, Inc., is a Washington, D.C.-based business consulting and research firm specializing in investment advisory services, market analysis, and economic assessments of Eastern Europe and the former Soviet Republics.

⁶Bosnia and Herzegovina—The Priority Reconstruction Program: Achievements and 1998 Needs.

⁷According to PlanEcon, as of February 1997, average monthly wages were highest in Bosnian Croat areas.

- some 60,000 private houses or public apartment units, benefiting some 250,000 people, have been repaired or have received repair assistance;
- at least \$62 million financed social programs for the most vulnerable in the population—the children, the elderly and the disabled;
- about \$120 million in small- and medium-sized business loans have helped revive commerce and have generated some 18,000 permanent new jobs;
- about 200 public works projects were completed in 98 municipalities (70 in the Federation and 28 in Republika Srpska), resulting in the creation of 25,000 person-months of employment in addition to the 10,000 person-months in 1996; priority was given to areas with high unemployment, heavy war damage, and high levels of displaced persons and refugee returns;
- donor assistance has been critical in the rehabilitation of some 490 primary schools and 90 kindergartens; and
- the Sarajevo airport continues to be open for commercial service, about 900 kilometers of the main road network have been completed, and 14 major bridges have been reconstructed.

As of April 1998, one of USAID's major economic assistance projects, the Municipal Infrastructure and Services Project, had helped generate an estimated 5,000 short-term jobs and provided an estimated 17,000 people with permanent employment. These funds have gone toward such things as repairs or construction of water supply systems, bridges, railroads, schools, and hospitals (see fig. 6.2). In addition, 8,700 demobilized soldiers were temporarily employed through about 300 Community Infrastructure Rehabilitation Projects that were funded by USAID and administered by SFOR soldiers in the U.S. military sector. Further, USAID's Bosnian Reconstruction Finance Facility program, as of October 1997, had disbursed \$49 million in loans that averaged \$485,000 for the year for businesses such as clothes and shoes manufacturing; baked goods, fruit juice, and dairy production; furniture manufacturing; construction; sawmills; and agriculture. Appendix I provides more information on USAID's economic reconstruction and stabilization programs.

Progress was made in 1997 in clearing landmines and in developing Bosnia's capacity to manage a mine clearance program. However, the country's estimated 1 million landmines remained a significant threat—particularly along the former front lines and strategically important areas where the parties remained reluctant to remove them—and continued to inhibit economic reconstruction and returns of people to their prewar homes. Donors funded over 1,000 deminers in Bosnia, who removed 28,425 landmines and 19,572 pieces of unexploded ordnance during the year.⁸ These efforts opened up roads and railways and allowed access to homes and farmland that had been unusable because of landmines or because people feared that landmines were present. Further, in January, 1997, a National Commission for Demining was organized to take over demining responsibility for the country. The commission was ordered to be formally established by the High Representative on December 24, 1997, after a hard-line SDS member of the Council of Ministers would not sign the documents that would make the commission a legal entity. Appendix VII provides more information on Bosnia's demining program.

Moreover, often with intense international involvement and pressure, Bosnia's political leaders and people took first steps during 1997 and early 1998 toward linking the ethnic groups economically, a major change from 1996 when they generally refused to cooperate across ethnic lines. The new, relatively moderate Republika Srpska government was credited with facilitating the delivery of mail from Sarajevo to Banja Luka and the signing of a memorandum of understanding on the resumption of rail service between the two entities. Table 6.1 provides a description of important links that were established during the year.

⁸The major donors include the European Union, the United Nations, the U.S. government, and the World Bank.

Chapter 6
Progress in Rebuilding Bosnia's Economy

Table 6.1: Steps Toward Reestablishing Interentity Economic Links, as of April 1998

Sector	Date	Description
Key economic legislation ("Quick Start Package")	June 20, 1997	Legislation enacted by Bosnia's parliament. The package included laws establishing the Central Bank; a national budget execution law for the 1997 budget; uniform customs tariff and customs policy legislation; a foreign trade law; and the legal framework for external debt management.
Central Bank ^a	August 11, 1997	Officially opened. Will act as a simple currency exchange for its first 6 years of operation.
	April 9, 1998	Collective Presidency signed an agreement on the liquidation of the National Bank of the former Republic of Bosnia and Herzegovina. The liquidation will give full and clear responsibility to the newly established Central Bank. As of mid-May 1998, the National Bank had not been liquidated.
Telecommunications	August 5, 1997	For the first time in 5 years, direct interentity telephone links between Sarajevo and Banja Luka and Trebinje became operational.
	September 19, 1997	A limited number of interentity telephone lines were opened for local subscribers for calls between the two entities.
		By April 1998, three additional interentity telephone links of 30 lines each had become operational.
Civil aviation	September 5, 1997	Bosniak, Serb, and Croat members of a joint aviation commission reached agreement on the establishment of a national civil aviation authority, a major step toward the establishment of regional airports in Banja Luka, Mostar, and Tuzla.
	September 12, 1997	Bosnia's Civil Aviation Authority was established.
		In mid-March 1998, an International Secretariat for the Civil Aviation Authority was in the process of being established, with the Chief Executive to arrive on March 22. The secretariat will function as an independent advisory body to the authority and work to develop guidelines accepted by the International Civil Aviation Organization.
Postal service	November 18, 1997	The Banja Luka airport was reopened for commercial traffic, though the Mostar and Tuzla airports were not reopened.
	March 17, 1998	The High Representative sent a letter to the Mayor and Deputy Mayor of Mostar imposing a temporary solution for the arrangements necessary to open the Mostar airport for civil air traffic.
	February 6, 1998	More than a million letters that had been accumulating in Sarajevo since 1992 were delivered to Republika Srpska under U.N. police escort.
	April 22, 1998	The transport and communications ministers of the Federation and Republika Srpska signed a memorandum of understanding that sets forth interim arrangements for the establishment of interentity mail exchanges. The memorandum was also signed by the Principal Deputy High Representative, who acted as a witness. The first mail exchange is expected on June 1, 1998.

(continued)

Chapter 6
Progress in Rebuilding Bosnia's Economy

Sector	Date	Description
Railroads	February 11, 1998	The two entities signed a memorandum of understanding in Sarajevo agreeing on the resumption of rail traffic.
	February 26, 1998	The first commercial interentity train traveled from Banovici to Doboj and from Doboj to Sarajevo across the interentity boundary line.
	April 6, 1998	Few trains are running, even though Bosnia's rail system has been almost completely restored with the help of international assistance.

^aUSAID is providing assistance to the Central Bank in computerizing its operation, including the branch in Pale.

Sources: OHR, World Bank, USAID, and State Department documents.

During the year, business people showed signs of reestablishing cross-ethnic economic ties that had been broken by the war.⁹ For example, with USAID support, small business associations were established throughout each entity as a step toward developing a countrywide small business association. Further, the first post-war Sarajevo business fair was held in Banja Luka on November 26, 1997, and a Banja Luka trade fair was held in Sarajevo on February 25, 1998.

Despite these initiatives, there is no consensus among ethnic groups on economic cooperation. USIA polling data from February 1998 show that given the choice between economic independence or cooperation between the two entities, only Bosniaks (83 percent) clearly favor working together. A majority of Bosnian Serbs (61 percent) say they prefer economic independence, and Bosnian Croats are more equally divided (50 percent favor economic independence, and 41 percent favor working together). Previous USIA surveys have shown that the majority of people from each of the three ethnic groups support trade with the other groups, suggesting that opposition to economic cooperation in principle may be outweighed by practical economic opportunities.

Parties Hinder Future Economic Growth

Despite favorable steps in Bosnia's economic reconstruction, in early December 1997 the Peace Implementation Council expressed concern that

⁹According to some observer reports, criminal elements of Bosnia's three major ethnic groups sold arms to each other during the war.

Bosnia's political leaders were placing reconstruction and sustained economic growth at risk by, among other things, allowing the common institutions' shortcomings to impede sound economic management and their political differences to slow down the pace of economic transition. Most importantly, Bosnia's political leaders had only partially implemented the key economic legislation passed on June 20, 1997. They had not adopted national-level legislation called for by the council in May 1997. According to a council document, as of early December, the lack of an economic policy framework was preventing an IMF standby arrangement and World Bank adjustment lending, thus rendering the country vulnerable to financial crisis

To address these problems, the Peace Implementation Council called on Bosnia's national authorities to agree on a common approach on the standby arrangements and open negotiations with the IMF without delay. The council also established a number of short-term deadlines for actions related to steps that the parties had thus far refused to take. Table 6.2 shows the status of actions called for by the council, with deadlines up to March 1, 1998.

Table 6.2: Status of Implementing Key Economic Legislation, as of April 30, 1998

Action	Status
Develop the design for a common currency for Bosnia by December 20, 1997.	Design of the Convertible Marka currency imposed by the High Representative on January 20, 1998. The conversion to the Convertible Marka is scheduled to take place in June 1998 throughout Bosnia.
Adopt Foreign Investment Law by December 20, 1997.	Imposed by the High Representative on March 6, 1998.
Apply an interim common customs tariff schedule by December 20, 1997; adopt and start implementing a permanent customs code and tariff by January 31, 1998.	On December 24, 1997, after Bosnia's Council of Ministers failed to adopt an interim customs tariff schedule, the High Representative ordered the enactment of an interim national customs policy that was to take effect on January 10, 1998, and remain in effect until the final customs tariff policy law are adopted. The interim customs tariff schedule was replaced by a permanent law/schedule that went into effect on March 13, 1998, but neither entity had implemented it.
Adopt mutually consistent national budget and entity-level budgets by January 31, 1998.	Partially adopted, as discussed below. <ul style="list-style-type: none"> The national budget was approved by the Council of Ministers and adopted by Bosnia's Parliamentary Assembly on April 27, 1998. The Federation budget was adopted by the House of Peoples on March 31, 1998, but the second house had not adopted it as of April 1998. The Republika Srpska budget was adopted by the Republika Srpska parliament on March 14, 1998.
Implement monthly transfers from the entity budgets covering national administrative expenditures and debt service by March 1, 1998.	Partially implemented. <p>The entities had contributed to the servicing of the debt but not to the administrative part of the national budget.</p>

Sources: OHR documents.

Efforts to Address Fraud and Corruption

In December 1997, the Peace Implementation Council said that Bosnia's economic recovery was being threatened by, among other things, the parties' insufficient action against fraud and the lack of transparency in the use of public funds. In late 1997, OHR, the World Bank, and major donors concluded that donor assistance had not been used inappropriately by the Bosnian or entity governments; however, they acknowledged that legislative and administrative shortcomings in public finance generated opportunities for fraud that have been exploited in the areas of (1) public revenue collection, specifically the evasion of customs duties and sales taxes; (2) the misappropriation of public funds; and (3) activities of extrabudgetary institutions.¹⁰ To address the problem of government

¹⁰We did not conduct an investigation to obtain information to support or refute these claims.

corruption and prevent the misuse of donor assistance, OHR, USAID, the European Commission's Customs and Fiscal Assistance Office, the World Bank, and the Federation government have instituted a number of measures to investigate and combat the inappropriate use of donor funds and corruption.

Audits of International Assistance

In late 1997, the High Representative and other representatives of the international community stated that there is no evidence of corruption related to donor funds.¹¹ In a proposed anticorruption strategy presented to the Peace Implementation Council in December, the High Representative said that major donor funds for World Bank reconstruction projects were fully accounted for and adequately monitored and audited. The High Representative, however, also said that the lack of coordination with smaller donor organizations, such as private voluntary organizations, could lead to multiple funding of the same project activities. He also noted that weak project management by these organizations could lead to overcharging for goods and services by contractors and suppliers. Although the donor community identified no diversion of donor assistance funds, it pointed out the need for more transparency and continued vigilance in the accounting for and use of international assistance funds.

To ensure that USAID's program funding is accounted for and used appropriately, USAID's Office of Inspector General has completed a series of audits of the agency's two major assistance efforts in Bosnia, the Municipal Infrastructure and Services project and the Bosnian Reconstruction and Finance Facility program.¹² These audits, which have been conducted on a periodic basis throughout the life of the programs, have not identified any major systemic internal control weaknesses or misuse of program funds.¹³ According to the State Department, other

¹¹During 1997, Federation parliamentarians and newspapers alleged that international assistance provided to the Federation was being diverted. To respond to the allegations, the OHR and the World Bank's resident mission in Bosnia conducted an exercise to account for the assistance funds provided to the Federation.

¹²These projects, as well as other U.S. projects in Bosnia, are implemented through contracts with U.S. firms. The firms and contracts are subject to audits. The firms must demonstrate that they have an acceptable system of control, which is monitored by USAID project managers in Sarajevo and Washington, D.C.

¹³Although no major systemic internal control problems have been identified, in one case involving the Bosnian Reconstruction and Finance Facility program USAID found that a bank participating in the program was misusing program funds. The bank was removed from the program. An investigation by the Federation Banking Agency found that the bank was violating a number of banking laws. As of March 1998, the Federation government was trying to recover approximately \$700,000 in program funds that the bank was provided with but had not disbursed to borrowers for approved loans. As a result of this incident, USAID is changing its procedures to prevent similar problems in the future.

donors have similar systems for auditing and accounting to safeguard against fraud.

Investigations of Government Corruption

Investigations conducted by the European Commission's Customs and Fiscal Assistance Office (hereafter referred to as the customs assistance office) have identified incidents of corruption involving government customs and purchasing organizations. The corrupt practices include (1) diversion of customs duties to parallel government structures, (2) false transit destination documentation, (3) undervaluation of imported goods, (4) false certificates of origin on imported goods, (5) abuse of duty-free shop concessions, (6) abuse of duty-free warehouse concessions, and (7) commercial smuggling at guarded customs posts. The customs assistance office estimates that customs fraud in the Federation alone cost the entity government approximately \$56 million over a 1-year period.

The customs assistance office was established in January 1996 to help Bosnia form a coherent customs system at the national and entity levels. In addition, the office facilitates coordination and cooperation between entity customs administrations by verifying customs documentation on a random basis and provides advice to the customs administrations. While executing these tasks, officials from the office uncovered systematic transit fraud involving more than 300 high-duty consignments declared as in transit across the Federation to Republika Srpska. The goods never reached their declared destination, and the customs duty deposits, paid at the border, were reclaimed by the criminals through the use of false receipts issued by Republika Srpska customs officials. These illegal practices resulted in the loss of customs duties and tax revenues of about \$11 million over a 6-month period. The customs assistance office recommended that, among other things, both entity governments take immediate action, including legal proceedings, to stop the smuggling of goods and associated loss of revenue.

In another investigation, the customs assistance office found that the Bosniak-controlled and Bosnian Croat-controlled State Directorates for Strategic Reserves, which were supposed to cease to exist after the signing of the Federation constitution in 1994, were importing large quantities of fuel and goods duty free.¹⁴ The resulting loss of revenue incurred by the Federation government was estimated at about \$11 million over a 1-year

¹⁴The Bosniak State Directorate for Strategic Reserves imported fuel free of duty on the basis of invalid authorizations. Some of the fuel was sold on the commercial market inclusive of customs duty. However, the duty was never deposited into the Federation budget. Action to make examples of the persons involved was not taken or even encouraged at the highest political level.

period. The results of the investigations were presented in two reports that were given to Federation Minister of Finance.¹⁵

In response to the reports and the resulting media publicity, according to a customs assistance office official, the Federation Minister of Finance replaced the Director and Deputy Director of the Federation Customs Administration and four other Customs Administration officials. The Republika Srpska Customs Director fired all eight of its customs-house managers. In addition, the Federation Ministry of Finance conducted investigations of the operations of the Bosniak and Bosnian Croat State Directorates for Strategic Reserves. As of January 1998, the investigation of the Bosnian Croat Directorate was complete and the Directorate had ceased operations. An agreement was reached at the December 1997 Peace Implementation Conference to close the Bosniak Directorate. An OHR official stated that the Bosniak Directorate will be closed as soon as the contracts it has entered into can be completed; as of April 1998, it was still operating.

In December 1997, the World Bank reported on problems in the budgeting and financial management of entity-level governments that could result in international assistance replacing diverted government funds.¹⁶ The bank reported that many opportunities exist for the misappropriation of government funds, a problem shared by other successor states of the former Yugoslavia. Although the World Bank identified the problem, it was unable to determine the extent to which opportunities for misappropriation are being exploited.

**Steps Taken to Address
Corruption Problem**

The national and entity governments and the international community have established a number of organizations and provided assistance designed to address the issue of corruption in donor assistance and in government operations and revenues (see table 6.3).

¹⁵Loss of Revenue Within the Transit System and Failure of Control, A Report by the European Commission Custom and Fiscal Assistance Office (Sarajevo: Oct. 24, 1997) and Report on Importations for State Directorate for Strategic Reserves, Sarajevo and State Directorate for Strategic Reserves, Mostar, A Report by the European Commission Customs and Fiscal Assistance Office (Sarajevo: Oct. 24, 1997).

¹⁶Public Expenditure Review, World Bank (Washington, D.C.: Nov. 1997).

Chapter 6
Progress in Rebuilding Bosnia's Economy

Table 6.3: Efforts Undertaken and Proposed to Address Corruption in 1997

Activity	Implementor	Comments
Antifraud commission established in 1997	President Izetbegovic, Bosniak member and Chairman of Bosnia's collective Presidency	OHR believes that this type of commission could raise awareness of the corruption problem and assist in the preparation of necessary legislative and judicial action. However, this commission is exclusively concerned with the use of international assistance and is viewed as partisan and unlikely to become part of an effective anticorruption effort.
Federation parliament anticorruption commission established in July 1997	Members of the Federation parliament	Commission's mandate is to investigate the misuse of donor assistance money, budgets, and loans, and the illegal use of national wealth by institutions, organizations, groups, and individuals in the Federation. As of January 1998, the commission had not issued any reports. The international community views this commission as less biased than the President's antifraud commission because it includes members from several opposition political parties.
OHR anticorruption strategy proposed in December 1997 ^a	OHR Economic Task Force, antifraud unit, and interagency task force	The objective of the strategy is to reduce the overall misuse of public funds in an effective and sustainable manner. Specific actions include (1) establishing a permanent Secretariat for the economic task force to oversee sectoral task forces and smaller donors and encouraging donor governments to require that all aid institutions adhere to the Secretariat's guidelines to prevent multiple funding of project activities and overcharging for goods and services by contractors and suppliers; ^b (2) establishing an antifraud unit ^c in OHR to investigate cases of fraud and corruption; and (3) establishing an interagency task force in OHR to implement, coordinate, and report on anticorruption efforts. ^d

^a"Countering the Misuse of Public Funds in Bosnia and Herzegovina," strategy proposal presented to the participants of the Peace Implementation Conference (Bonn, Germany: Dec. 5, 1997).

^bIf the controls are deemed inadequate, the proposed strategy calls for donors to oblige assistance agencies to use the management services of the Entity Project Implementation Units established under World Bank support.

^cThe unit will (1) be composed of a small group of experienced, international prosecutors and judges; (2) cooperate with IPTF and call on IPTF for support in cases of investigation; and (3) advise OHR and UNMIBH on corruption-related aspects of criminal justice reform. OHR officials stressed that the relationship between the unit and Bosnian authorities is to be more cooperative than investigative. As of April 1998, the unit had been staffed and was scheduled to become operational by May 1998.

^dAccording to State, the OHR officials responsible for establishing the unit have an ambitious but not well-defined program. In addition, it is unclear how this unit will interact with existing law enforcement, legal, and judicial structures. Unless linked to existing Bosnian institutions, the unit could undermine the role and responsibilities of local legal institutions, thus reducing chances for sustainability once international support stops. The U.S. government would prefer that OHR contribute to the anticorruption effort in a political rather than an operational capacity. State believes that OHR should facilitate resolution of bureaucratic obstacles and encourage the development of an appropriate legislative framework. The implementing agencies and donor community should be responsible for program design and execution.

Sources: OHR and State Department documents.

According to an IPTF official, IPTF intends to work with ministries in both entities in 1998 to improve their capacity to identify and deal with financial crime that corrupts public institutions. As part of this effort, IPTF plans to extend its monitoring and advisory work to this area of law enforcement and to train entity police forces in the detection of financial crime, organized crime, smuggling, and corruption and to assist in the development of special anticorruption units. In order to implement these plans, a number of experts in financial crime will need to be hired to form a specialized training team. As of March 1998, budget and staffing estimates had been developed for the team, but no specific date for its implementation had been established.¹⁷

The customs assistance office is continuing to assist Bosnia's national and entity-level governments in updating its system of customs laws and tariffs and in modernizing customs operations through the computerization of procedures and the training of customs personnel in customs operations and investigation. In December 1997, the Peace Implementation Council urged Bosnia's entity authorities to extend the office's mandate to cover all indirect taxes levied by national or entity governments. The council also required the national and entity governments to give the customs assistance office access to all relevant customs and fiscal records.

In January 1998, the office began conducting an investigation into the valuation of imported goods and an examination of the organization and administration of the Federation tax administration. The investigation pertaining to the valuation of goods was still ongoing as of April 1998; however, it had found that undervaluation of goods is endemic and is responsible for multimillion dollar loss of revenue to the Federation budget. The tax administration examination was completed in March and did not find any hard evidence to suggest corruption; however, it did find evidence of major tax evasion. In February 1998 the new Republika Srpska government drafted a decision to allow the office to examine its customs and tax administrations. A customs assistance official stated that Republika Srpska officials were doing their best to provide all of the information requested to conduct its examination.

USAID has implemented a number of projects to address public accountability and transparency and combat corruption in a systemic manner. USAID's ongoing and planned programs include activities that

¹⁷This training team is part of a larger U.N. effort to design and deliver training and advice needed to address security concerns raised in the conclusions of the Sintra and Bonn Peace Implementation Council meetings. Other training teams will address issues such as public security crisis management, that is, crowd control and disaster response, and drug control including interdiction.

(1) support the federal, cantonal, and municipal governments in developing budgets and financial management systems that are transparent and meet international standards; (2) provide training to customs officers to increase their professionalism and establish a code of ethics; (3) increase the Federation and Republika Srpska's banking agencies' capacity to combat white collar crime; (4) assist the Federation government in the revision of the criminal code; and (5) support the drafting of key commercial laws that are essential to any anticorruption effort. USAID also conducted a study of corruption in Bosnia and drafted a strategy to address corruption in a more comprehensive manner.

The study stated that for the economic and democratic development of Bosnia to succeed, the large-scale fraud and corruption in the government must be reduced substantially. Bank fraud, customs fraud, tax fraud, procurement fraud, bribery, extortion, and an active organized crime network severely undermine economic and democratic reforms. The losses resulting from fraud and corruption appear massive yet cannot be quantified accurately due to the lack of transparency in government and business operations. The strategy developed by USAID consists of introducing a legislative agenda; federalizing law enforcement; improving governmental budgeting, accounting, and auditing; and implementing a massive public and legal education/training campaign.

Use of Political Conditionality in Providing Economic Assistance

The Peace Implementation Council and international donors have stated repeatedly since December 1996 that economic assistance provided to Bosnia is conditioned—both negatively and positively—on the compliance of Bosnia's political leaders with political provisions of the Dayton Agreement.¹⁸ By placing political conditions on economic assistance, the international community has attempted to give additional impetus to the peace process by rewarding authorities at all levels who cooperate with the international community in the implementation of Dayton, depriving assistance to authorities who obstruct the peace process, and encouraging change by linking assistance to improvements in complying with specific aspects of the agreement.

At the July 1997 donors' conference, the task of coordinating donors' efforts to implement political conditionality was assigned to OHR's economic task force, which established guidelines for donors to follow for certain projects. By late 1997, donors' use of attaching political conditions

¹⁸The World Bank's charter prevents it from applying political conditionality to the assistance it provides.

to economic assistance had resulted in some important political changes in Bosnia, but it had not increased the level of cooperation of hard-line Bosnian Serb or Croat political leaders.

Coordination of Political Conditions on Economic Assistance

In 1997, OHR's economic task force determined that applying strict rules to determine when and how to condition assistance would not achieve the international community's intended objectives because the various donors operate differently, the situation in Bosnia is in a constant state of change, and available information on recipients is imperfect. Consequently, the task force uses a set of general guidelines. These are applied on a case-by-case basis to assess the applicability of political conditionality to assistance projects.¹⁹ The task force's guidelines call for assistance to be withheld from (1) municipalities where authorities actively obstruct the peace process, (2) institutions and companies controlled by indicted war criminals, and (3) persons actively involved in obstructing the peace process. The guidelines also state that donors should focus housing projects on municipalities that allow significant minority returns and should consult the economic task force on all projects over \$10 million before either approving them or suspending them on noneconomic grounds.

USAID has attached political conditions to its two major economic reconstruction projects—the Bosnian Reconstruction Finance Facility program and the Municipal Infrastructure and Services project—since the programs started in 1996.²⁰ For example, USAID requires municipal authorities that want assistance under the Municipal Infrastructure and Services project to sign memorandums of understanding stating that, among other things, (1) the people living in the municipality agree to abide by the principles of the Dayton Agreement and will support the return of displaced people who want to move back to their homes regardless of their religion or ethnic origin; (2) the municipality agrees to allow freedom of movement for all persons, at all times, and the police will enforce and

¹⁹The guidelines state that humanitarian assistance, in principle, should not be subject to conditionality.

²⁰Congress has also placed conditions on U.S. assistance. Specifically, section 573 of the fiscal year 1998 Foreign Operations Appropriations Act (P.L. 105-118) required restrictions on assistance to any country, entity, or canton providing sanctuary to indicted war criminals. On December 4, 1997, restrictions were placed on Serbia and Montenegro and Republika Srpska because the Secretary of State determined they were not taking necessary steps to apprehend war criminals. The law permits the Secretary to waive restrictions for programs that directly support the implementation of the Dayton Agreement and its annexes. On December 15, 1997, the Secretary waived the restrictions with regard to USAID Municipal Infrastructure and Services, Bosnian Business Development, and Democratic Reform programs in Republika Srpska.

honor this right under the law; and (3) the municipality certifies that no indicted war criminal is a member of the municipal government or is involved in the operation and maintenance of any project funded by the program.

However, in October 1997 and February 1998, USAID officials stated that the USAID mission does not have the resources to effectively monitor the assistance to ensure that municipalities or companies comply with the provisions in the memorandums. According to the Mission Director in Sarajevo, he was unable to gain approval to hire an additional staff person to monitor compliance with the memorandums. Instead, USAID had informal monitoring procedures, relying on information from its contractors, State's refugee office, IPTF, OHR, and other international monitors. Although this information was often "episodic" and varied greatly depending on the source, this official believed that by and large USAID has a fairly good, impressionistic view of how municipalities are doing in terms of complying with conditions placed on assistance.

This official also said that USAID never expected that the memorandums would bring about a major change in municipalities; instead, they were intended to show at the grass-roots level that the international community would support those who support Dayton. In some Republika Srpska municipalities, such as Doboj and Bijeljina, USAID now expects a good deal of forward movement in implementing Dayton due to the changing political conditions there.

A USAID official said that monitoring efforts are made more difficult by the lack of a master list of which municipalities are complying with the Dayton Agreement. OHR's economic task force had planned to produce a list of the municipalities that were not complying with the Dayton Agreement in 1997. However, as of December 1997, according to State officials, OHR had not done so. OHR and other officials told us that the international donor community would request a list from OHR during 1998.

After the election of the new, moderate Republika Srpska government, the U.S. government pledged to provide increased assistance to Republika Srpska. However, human rights organizations have expressed concerns that this assistance would be going to municipalities that do not meet the conditions of USAID memorandums, particularly the condition related to people indicted for war crimes. In early February 1998, a USAID official said that due to a lack of USAID resources, it would be difficult for the mission

to monitor the new tranche of assistance that the U.S. government plans to provide to the new Republika Srpska government.

According to USAID, U.S. assistance to Republika Srpska in 1998 is estimated to be \$60 million including \$21 million for reconstruction activities implemented as part of the Municipal Infrastructure and Services project. In the past, USAID has stated that it would provide up to one-third of its total assistance for Bosnia to Republika Srpska if the government complied with the provisions of the Dayton Agreement. An additional grant of \$5 million in budgetary support for the Republika Srpska government has been signed with OHR to pay back-salaries for government employees; employees of the Ministries of Justice, Defense, and Interior will not be paid with U.S. funds. Other donors have assisted in this effort as well. According to a USAID mission official, USAID's Inspector General's office and the mission's controller in Sarajevo are working with OHR to monitor this support.

In commenting on a draft of this report, in April 1998 USAID officials stated that USAID does adequately monitor existing assistance and will monitor the new tranche of assistance to municipalities through on-site visits and information provided by its contractors, the State Department's refugee office, IPTF, OHR, nongovernmental organizations, and other international monitors. The mission plans to hire a staff person dedicated to monitoring and recognizes that further monitoring of projects would necessitate additional staffing.

Promising Developments in Applying Political Conditions to Economic Assistance

According to U.S. and other international officials, the use of conditionality in providing economic assistance has contributed to the political split in Republika Srpska and supported the relatively moderate forces there as they worked to install a new, relatively moderate entity-level government. It has also encouraged some minority returns in some municipalities, as discussed in chapter 5. The use of conditionality, however, has not yet affected the attitudes or actions of hard-line Bosnian Serb and Croat political leaders in complying with Dayton.

In March 1997, State and USAID officials told us that some Bosnian Serb political leaders, including President Plavsic, had shown a willingness to accept economic assistance that includes conditions such as employing multiethnic work forces; however, there were no tangible results in this area as of late June because hard-line Bosnian Serb political leaders, particularly Karadzic, were blocking every attempt of moderate Bosnian

Serb political leaders to work with the international community. These leaders, according to State, were willing to accept conditional assistance because they saw the growing gap in economic recovery between the Federation and Republika Srpska.

Starting in July 1997, events in the Republika Srpska political crisis indicated that the conditioning of economic assistance contributed to the political split in Republika Srpska. Specifically, the conditioning of assistance helped President Plavsic and the more moderate Bosnian Serb political leaders demonstrate how the unwillingness of hard-line leaders to comply with the Dayton Agreement was preventing Republika Srpska from receiving assistance, thereby slowing the entity's economic recovery and causing people to suffer.

- In July, State officials told us that there was increasing evidence that elected officials of Republika Srpska were under mounting political pressure to make the necessary concessions to qualify for reconstruction assistance. Specifically, President Plavsic had just started to move away from the more extreme SDS leadership in Pale. During this time, Plavsic openly argued that these SDS leaders, led by Karadzic, were enriching themselves through corruption and not complying with Dayton; as a result, Plavsic argued, the Serb people were being denied reconstruction assistance.
- After being elected on January 18, 1998, the new Prime Minister publicly stated that he would help promote returns of other ethnic groups to Republika Srpska and would encourage indictees to surrender to the war crimes tribunal, if the international community would provide economic assistance to the new government.

Despite these promising developments and indications that conditioning assistance was proving effective in encouraging some municipalities to accept returns, U.S. and other international officials told us that applying conditions to economic assistance had not changed the attitudes of hard-line Bosnian Serb and Croat political leaders and separatists. Further, it had not resulted in Bosnian Serb authorities surrendering indictees to the war crimes tribunal. According to these officials, conditioning economic assistance has had no impact on hard-line SDS authorities who are loyal to Karadzic because they have other sources of funding, for example, smuggling and other illegal activities. It had not had an impact on hard-line Bosnian Croat authorities as well, because (1) they obtain assistance from Croatia and illegal activities and (2) the areas they control

Chapter 6
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have received relatively little international economic assistance, as those areas were relatively undamaged by the war.

Agency Comments and GAO's Evaluation

DOD, USAID, and the State Department provided written comments on a draft of this report. DOD generally concurred with the report, and USAID commented further on the progress that has been made in Bosnia over the past year.

State commented that the report acknowledges and catalogs many of the significant successes recorded over the last year in the implementation of the Dayton Agreement but does not sufficiently convey the momentum, hope, and prospects that the developments of the last half of 1997 and the first few months of 1998 have brought to the overall circumstances in Bosnia. In particular, State identified a number of changes that have occurred since late spring of 1997 that give cause for optimism. These include the ability of Bosnians to move more freely around the country, further democratization and pluralism in the political arena, and advances in arms control. Although State agreed that caution is in order, it noted its inclination to be somewhat more optimistic than the report.

While we agree with State that there is some cause for optimism in Bosnia, the facts, events, and progress suggest that one may want to view Bosnia's future with greater caution than State does. We believe that the report strikes an appropriate balance in describing the progress in achieving the goals of the Dayton Agreement and the challenges that remain. The report discusses in some detail the events referred to by State and specifically states that the pace of implementing the Dayton Agreement has accelerated.

However, as noted in the Executive Summary and throughout the report, this progress was achieved largely because of intense international pressure and involvement, the momentum for continued progress is not self-sustaining, and conditions will have to improve significantly before international military forces could substantially draw down. It is widely accepted in the international community that, even with the accelerated pace of implementing the agreement, it will likely be some time before these conditions are realized. Further, while events in the last half of 1997 and early 1998 give cause for optimism, more recent events in March and April 1998—specifically, an increase in incidents of ethnic conflict associated with people crossing ethnic lines to visit or return to their prewar homes—illustrate the difficulties that Bosnians and the international community still face in implementing key aspects of the agreement.

Chapter 7
Agency Comments and GAO's Evaluation

DOD, USAID, and State also provided technical comments, updated information, and other suggestions that have been incorporated where appropriate. DOD and USAID comments are provided in appendixes VIII and IX respectively. State comments and our evaluation of them are included in appendix X.

U.S. Civilian Programs in Support of the Bosnia Peace Operation, Fiscal Year 1997

This appendix contains fiscal year 1997 obligation and programmatic information on U.S. civilian assistance programs to Bosnia. These programs are categorized into four areas: economic reconstruction, humanitarian aid, democracy and human rights programs, and other support for civilian organizations in the peace operation (see table I.1). The programs were funded and/or implemented by the U.S. Agency for International Development (USAID); the U.S. Information Agency (USIA); the Trade and Development Agency; and the Departments of State, Agriculture, Commerce, Justice, and the Treasury.

Appendix I
U.S. Civilian Programs in Support of the
Bosnia Peace Operation, Fiscal Year 1997

Table I.1: U.S. Funding for Civilian Aspects of Bosnia Peace Operation, Fiscal Year 1997

Dollars in millions		Obligations^b
Program/activity		
Economic reconstruction		
Municipal infrastructure and services		\$66.9
Reconstruction finance		65.3
Economic stabilization and institution-building ^c		19.9
Demining		5.4
Commercial opportunities		1.9
Subtotal		159.3
Humanitarian assistance		
Food assistance		43.9
Refugee assistance		72.3
Emergency humanitarian assistance		27.1
Commission on the Missing		1.5
Subtotal		144.8
Democracy and human rights		
Police training and equipment		18.4
War crimes tribunal		12.2
OSCE elections programs ^a		14.1
Democratic reforms ^a		9.6
Open Broadcast Network		2.4
Training and exchanges		5.4
IMET		0.5
Human Rights Commission		1.0
Subtotal		63.5
Other support for civilian activities/ programs		
IPTF monitors		71.5
Office of the High Representative		3.9
OSCE mission assessment		2.4
USAID project design, planning, support and audit		4.4
Subtotal		82.2
Total		\$449.8

Legend

IMET=International Military Education and Training

IPTF=International Police Task Force

OSCE=Organization for Security and Cooperation in Europe

^aUSAID's support to OSCE for election activities is generally included in the democratic reforms category; however, agency officials have indicated that \$1.5 million of USAID funds were specifically obligated for OSCE election activities.

^bTotals may differ due to rounding.

Economic Reconstruction

Municipal Infrastructure and Services

In fiscal year 1997, USAID obligated \$66.9 million for the Municipal Infrastructure and Services program, which will provide a total of \$182 million for the rehabilitation of community infrastructure over 4 years. This project is designed to facilitate the return of displaced persons and refugees to their homes and reactivate the local economy. As of the end of September 1997, this program had approved 93 projects totaling \$93.7 million, generated approximately 2,500 short-term jobs, and provided 17,410 people with permanent employment. In addition, to strengthen the impact of USAID assistance, municipal infrastructure projects were colocated in communities benefiting from USAID's reconstruction finance loans.

The program's projects are distributed among the power, transport, education, water, and health sectors. Its 43 power projects totaled \$60.1 million, or 64 percent of the dollar amount of approved projects. USAID estimates that the power repair projects will benefit more than 750,000 people (about 25 percent of Bosnia's population) in more than 35 towns. In the transport sector, the repair of roads and bridges will benefit 453,000 residents, while the Tuzla-Brcko-Vinkovci rail project will affect the country's entire population. Municipal water system repairs will impact 450,000 people, and repair to schools will benefit 7,300 students.

Funds from this program are also being used for the Community Infrastructure Rehabilitation Project, implemented in partnership with local officials and SFOR soldiers in the U.S. military sector. This project is designed to provide short-term employment for demobilized soldiers and other community residents, both in the Federation and Republika Srpska, and to conduct high-impact community restoration activities, such as minor road repairs, school and health clinic rehabilitation, and the cleanup of war damage. At the end of September 1997, USAID had approved 221 of these projects—133 in the Federation and 88 in Republika Srpska—totaling \$9.2 million and generating approximately 7,000 jobs. By the end of fiscal year 1997, 135 of these projects were completed.

Appendix I
U.S. Civilian Programs in Support of the
Bosnia Peace Operation, Fiscal Year 1997

Reconstruction Finance	<p>In fiscal year 1997, USAID obligated \$65.3 million¹ for the Bosnian Reconstruction Finance Facility Program,² a 5-year, \$278-million lending program. The program's main objective is to help jump-start the economy and increase the employment of the general population, refugees, and demobilized soldiers. As part of these efforts, the program is providing balance-of-payments assistance to Bosnia for needed imports and quick-disbursing commercial credits to private Bosnian businesses. This program also provides business consulting services covering financial management, marketing, and business plan development.</p> <p>As of October 1997, this program had approved 140 loans totaling \$65.3 million and had disbursed \$49 million. These loans are expected to provide employment to over 11,000 Bosnians, including demobilized soldiers and women adversely affected by the war, representing a mix of ethnic backgrounds. The average loan amount this year was about \$485,000 for businesses such as clothes and shoe manufacturing; baked goods, fruit juice, and dairy production; furniture manufacturing; construction; sawmills; and agriculture.</p> <p>USAID also provides business consulting services to Bosnia. This activity serves to augment the credit analysis performed by the Bosnian Reconstruction Finance Facility Program by conducting an assessment of the managerial and operational capabilities of all enterprises requesting loans. These assessments support loan recommendations and identify key areas for improving enterprise performance. Using a combination of local professionals and resident foreign advisers, business consulting provides more in-depth management consulting to private Bosnian enterprises. As of December 1997, this activity had conducted approximately 260 assessments and 50 management consulting projects. USAID estimated that by September 1998, about 60 local professionals will have participated in this program.</p>
Economic Stabilization and Institution-Building	<p>USAID obligated \$19.9 million³ for economic stabilization activities in fiscal year 1997, of which \$2.4 million was transferred to the Treasury</p>

¹Both fiscal year 1996 carryover obligations occurring in fiscal year 1997 and fiscal year 1997 obligations are included in this figure.

²The facility is staffed by bankers and accountants from the United States and provides nonconcessional (market interest rate) loans, with repayments to be used for further lending under the program.

³Both fiscal year 1996 carryover obligations occurring in fiscal year 1997 and fiscal year 1997 obligations are included in this figure.

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U.S. Civilian Programs in Support of the
Bosnia Peace Operation, Fiscal Year 1997

Department for its programs in this category. USAID and the Treasury developed their programs in collaboration with the International Monetary Fund (IMF) and the World Bank, which have primary responsibility for economic stabilization and recovery in Bosnia.

USAID's assistance is designed to help the government of Bosnia ensure that external assistance is provided within a macroeconomic framework of sound monetary and fiscal management. There are six technical assistance components to USAID's macroeconomic stabilization program:

- Macroeconomic assistance to help the Bosnian government manage the large balance-of-payments inflows from donor governments.
- Commercial bank training and advice for commercial bankers in market-oriented credit policies, procedures, and operations as well as other critical financial services and risk management. This program has trained several hundred Bosnian bankers and has initiated training of Bosnian businessmen on the needs of bankers. This program is run in conjunction with the Bosnian Reconstruction Finance Facility.
- Bank supervision advice for operations and institutional development of the Federation Banking Agency.
- Assistance to Bosnian businesses seeking to access Bosnian Reconstruction Finance Facility loans and other donor credit programs; specifically, helping them to develop loan applications and business plans and to improve business operations. This program's core vehicle is the finance facility's business consulting services.
- Assistance, in conjunction with the European Union, in the establishment of a customs training center and in the design and implementation of training programs for Bosnian customs officials.
- Assistance to accelerate privatization by training Federation and cantonal officials in privatization strategies and enterprise preparation. To date, USAID has taken the lead in training the Federation and cantonal privatization officials, equipped both the Federation and cantonal offices, developed the key privatization laws and helped get them passed, designed and will help execute the mass privatization programs, and helped write the underlying regulations of the privatization program. The privatization program also contains a major public education component, which is crucial to allowing informed citizen participation in the privatization process and to educating citizens on what to expect with transition to a market economy.
- In fiscal year 1997, USAID also launched a large legal/regulatory reform project within the economic stabilization program. This project allowed USAID to provide technical assistance to Bosnia for developing the enabling

environment for privatization and post-privatization activities. For example, this assistance included analysis and revision of current laws and accounting principles to make them consistent with international standards in order to facilitate investment and protect investors.

- USAID also supported economic institutions in both entities, as well as at the national level. These institutions include the Federation Banking Agency, Customs Administration, Tax Administration, and Privatization Agency; the Federation's cantonal Privatization Agencies; National Bank Republika Srpska's Office of Bank Supervision and Regulations; the Republika Srpska Customs Administration; the Central Bank; and the Ministries of Finance.

The Treasury's Office of Technical Assistance is also helping the national and entity governments, primarily the Federation Ministry of Finance, in the areas of tax, budget, debt, banking, and infrastructure finance. During fiscal year 1997, the Treasury Department helped the Federation Ministry of Finance get established and helped to develop working relations between the Bosnian Croat Minister, the Bosniak Deputy, and their respective staff. Treasury tax advisers have been assisting the Federation Ministry of Finance in (1) writing tax law and implementing new tax systems, (2) developing a revenue analysis unit to understand the implications of tax law and revenue allocation for the financing of different levels of government, and (3) developing a tax administration system. The primary objective of the Treasury's budget assistance to the Federation has been to create a transparent budget process by (1) assisting the Federation Ministry of Finance in devising the processes and procedures for developing a budget and techniques for budget analysis and (2) helping the ministry staff revise the budget law.

The Treasury's role in external debt has been to give advice to (1) the national government as it prepares for negotiations on restructuring bilateral official and commercial debt and (2) the entities on complementary procedures and laws to ensure that their constitutional requirement to provide debt service is met. In the banking sector, the Treasury's main focus has been the reform and privatization of the banking system. The Department has also provided technical assistance to the national and entity governments to support the Dayton Agreement's provisions for joint institutions to own, rebuild, finance, and operate certain major infrastructure items. According to Treasury officials, progress has recently been greatest in restoring rail communications.

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Demining

The State Department obligated \$5.4 million in fiscal year 1997 for demining efforts.⁴ These funds were for (1) continuation of the U.N. Mine Action Center, the information clearinghouse and training center for mine clearance and mine awareness activities; (2) training and staffing mine survey teams; and (3) demining teams.

Commercial Opportunities

In fiscal year 1997, the U.S. government obligated approximately \$1.9 million to support commercial opportunities activities. The U.S. Trade and Development agency obligated \$1.78 million to assist Bosnian industrial rehabilitation efforts by funding feasibility studies.⁵ In fiscal year 1997, the agency (1) hosted orientation sessions of Bosnian government and business to learn about U.S. technologies and to discuss investment and commercial projects, (2) provided training for air traffic controllers at the Sarajevo airport to familiarize them with U.S. traffic control equipment and to facilitate purchase of U.S. equipment, and (3) provided technical assistance and helped to revitalize a formerly incapacitated aluminum facility in Mostar. The agency also organized advisory programs and missions to evaluate major infrastructure sectors in Bosnia based on export potential and U.S. corporate interests.

The Commerce Department obligated \$75,000 in fiscal year 1997 to support continued expansion of its Central and Eastern European Business Information Center's Bosnian/Balkan Reconstruction Initiative. The initiative is to process and distribute information on procurement opportunities to U.S. companies from reconstruction projects through operation of a website and hotline service.

Humanitarian Assistance

Food Assistance

USAID's Food for Peace office obligated a total of \$43.9 million for food assistance to Bosnia in fiscal year 1997. USAID provided \$23.5 million in food assistance through the World Food Program and four private voluntary organizations including the American Red Cross, Catholic Relief Services, and the Adventist Development and Relief Agency. Under Title II of Public Law 480, Food for Peace provided \$20.4 million in foodstuffs,

⁴These funds include \$5 million in fiscal year 1997 funds from USAID.

⁵Includes fiscal year 1996 carryover funds.

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such as wheat, flour, vegetables, cornmeal, beans, and rice, to the people of Bosnia. These foodstuffs were distributed to an estimated 273,000 beneficiaries and represented an estimated 40 percent of overall food needs identified by the World Food Program.

Refugee Assistance

The State Department's Bureau of Population, Migration and Refugees obligated \$72.3 million in grants to assist Bosnian refugees and displaced persons. About \$44 million of this amount was provided to UNHCR, about \$8.6 million in fiscal year 1997 was provided to the International Committee of the Red Cross, about \$7.5 million was provided to Catholic Relief Services, and the remaining \$12.2 million was provided to eight other nongovernmental organizations and the World Food Program.

Emergency Humanitarian Assistance

USAID obligated \$27.1 million for emergency humanitarian assistance in fiscal year 1997. Of this amount, USAID's Office of Foreign Disaster Assistance spent \$19.7 million in fiscal year 1997 to support emergency disaster relief activities, and USAID's Office of Transition Initiatives contributed \$7.4 million⁶ in other emergency assistance to Bosnians. This assistance consisted of clothing, fuel, food, health assistance, and other critical items needed for survival until economic recovery activities take hold.

Commission on the Missing

The State Department provided about \$1.5 million in fiscal year 1997 to the Commission on Missing Persons in the Balkans. This commission used the funds to help equip expert forensic teams tasked with excavating and identifying the remains of atrocity victims, provide training on exhumation techniques, and set up a data base on the missing in Srebrenica. About 20,000 people—15,000 Bosniaks, 3,000 Serbs, and almost 3,000 Croats—were reported as missing as late as November 1997, according to a U.N. official. Requests for assistance in locating the missing are fielded annually by the Commission's Working Group on Missing Persons. Funds were also used to further humanitarian demining efforts.

⁶Both fiscal year 1996 carryover obligations occurring in fiscal year 1997 and fiscal year 1997 obligations are included in this figure.

Democracy and Human Rights

Police Training and Equipment

In fiscal year 1997, the U.S. obligated about \$18.4 million to assist in training and equipping the local police forces in Bosnia. Of this amount, the State Department obligated almost \$8.43 million to assist IPTF in training and equipping the local police forces in Bosnia.⁷ In addition, the Justice Department obligated the remaining \$9.97 million for the International Criminal Investigative Training Assistance Program⁸ for police training and other assistance in Bosnia. This assistance consisted of (1) human dignity and basic skills training, (2) model stations, (3) forensics equipment and training, (4) executive development, and (5) development of the Federation Police Academy.

War Crimes Tribunal

In fiscal year 1997, the State Department obligated \$12.2 million for the war crimes tribunal that paid administrative expenses for the employment of almost 390 support staff, judges, and prosecutors. Of this amount, \$6.1 million was in cash contributions for the assessed portion, and another \$6.1 million in transferred credits.

OSCE Elections Programs

The United States provided \$14.1 million to support OSCE's activities for Bosnia's elections held in September and November 1997: the State Department obligated \$12.6 million and USAID provided an additional \$1.5 million. Most of this money went directly to OSCE in the form of a nonearmarked cash grants that covered mission expenses and activities such as ballot printing, voter registration, support of local election commissions, and in-kind contributions for U.S. funding of election monitors. In addition, OSCE also used the funds to provide support to strengthen local political parties and implemented voter education programs.

⁷Some of these funds also went to assist the U.N. peacekeeping operation in Croatia, known as the U.N. Transitional Administration in eastern Slavonia, in training and equipping the new transitional police force. State Department documents did not allow us to separate out these funds.

⁸This amount includes fiscal year 1996 carryover funds.

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Democratic Reforms

In fiscal year 1997, USAID obligated a total of \$9.6 million⁹ for a variety of democracy projects designed, in general, to assist in the development of a multiethnic Bosnia based on the rule of law and democratic principles. About \$5.5 million of this amount was obligated by USAID's Office of Transition Initiatives for over 200 small grants that directly supported 100 civic groups, among them legal aid; private business; women, children, and refugee advocacy organizations; and indigenous, nongovernment-controlled civil society and media organizations throughout Bosnia.

USAID's Bureau for Europe and the Newly Independent States of the Former Soviet Union also obligated about \$4.1 million in fiscal year 1997 for democratic reforms. These funds went toward organizations that (1) helped develop political parties prior to the elections, (2) provided voter and civic education, (3) worked to strengthen independent media, (4) sought to improve budgetary and financial management in the Federation's cantons and municipalities, and (5) helped to strengthen the judicial system. They also paid for contract personnel who staffed OSCE's election unit, including the Director General position, which administered and implemented the September and November 1997 elections.¹⁰

Open Broadcast Network

The United States obligated about \$2.4 million in fiscal year 1997 for continuation of the Open Broadcast Network. Of this amount, USAID obligated about \$1.3 million in fiscal year 1997 to expand independent media operations in Bosnia. In addition, USIA obligated about \$1.1 million¹¹ to fund the Open Broadcast Network, which was intended by its international donors to provide greater coverage, improved programming, and broader public access to the media than was available under government-controlled programming. These funds were used to expand, link, and coordinate Open Broadcast Network operations with regional bureaus, fund local productions, and acquire a library of off-the-shelf programming to build an audience. USIA also provided funds to expand reporting capabilities of the Open Broadcast Network in the Republika Srpska to set up a regional eastern production center.

⁹Both fiscal year 1996 carryover obligations occurring in fiscal year 1997 and fiscal year 1997 obligations are included in this figure.

¹⁰USAID included support to OSCE election activities in the democratic reforms category.

¹¹Both fiscal year 1996 carryover obligations occurring in fiscal year 1997 and fiscal year 1997 obligations are included in this figure.

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Training and Exchanges	<p>The United States obligated almost \$5.4 million¹² for training and exchanges during fiscal year 1997. Of this amount, USIA obligated about \$1.4 million for training in Bosnia and in the United States.¹³ Programs in this category included the Ron Brown Fellowships for graduate studies; internships in the United States; international visitor programs; and journalist training in Sarajevo, Tuzla, and Banja Luka. USIA funds also supported Voice of America broadcasts and an international civics education project designed to promote democracy training for Bosnian teachers and integration of democratic principles into school curriculums.</p> <p>USAID obligated the remaining \$4 million in fiscal year 1997 for training and exchange programs. These funds provided training to 15 groups of 272 participants in democratic institution-building, fiscal policy and taxation, and infrastructure building. Events funded included training (1) local and parliamentary officials in U.S. political process and volunteerism, fund-raising, and the role of women in the political process; (2) officials on fiscal federalism, who in turn trained additional officials on fiscal federalism in Bosnia; and (3) 93 Bosnians in railway, aviation, and water and power management.</p>
IMET	<p>In fiscal year 1997, the United States provided about \$500,000 in IMET training for the Federation military.¹⁴ These funds paid for English language training; company-grade officer training for medical, engineer and infantry officers; and language instructor training in this country. The curriculum focused on military justice, civil-military relations, and defense management.</p>
Human Rights Commission	<p>The United States provided \$1 million for the Human Rights Commission in fiscal year 1997. USAID and the State Department each obligated \$500,000 to support this human rights institution which was mandated by the Dayton Agreement. These funds supported the the Commission's Human Rights Ombudsperson and its offices in Sarajevo and Banja Luka that</p>

¹²Both fiscal year 1996 carryover obligations occurring in fiscal year 1997 and fiscal year 1997 obligations are included in this figure.

¹³USAID provided \$920,000 of this amount.

¹⁴The IMET program is jointly managed by the State Department and the Department of Defense (DOD). The Secretary of State is responsible for the program's general direction, recommends funding levels for congressional approval, and allocates approved funds to each country. The Secretary of Defense is responsible for planning and implementing the program, including administration and monitoring, within established funding levels.

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receive complaints of human rights violations and take action to address grievances.

Other Support for Civilian Activities/Programs

IPTF Monitors

The State Department provided over \$71.5 million to support IPTF police monitoring in Bosnia—\$31.7 million¹⁵ in voluntary contributions and \$39.8 million for the U.S. assessment for the U.N. Mission in Bosnia and Herzegovina (UNMIBH). State's voluntary contributions went for as many as 260 U.S. police monitors¹⁶ assigned to IPTF in Bosnia, including 60 posted to a new district established in Brcko, and an additional 50 U.S. police monitors assigned to the U.N. peacekeeping operation in eastern Slavonia. The majority of the U.S.-assessed share of UNMIBH supported IPTF.

Office of the High Representative

In fiscal year 1997, the State Department obligated \$3.9 million for administrative support to the Office of the High Representative. This office was established to facilitate the efforts of the parties in implementing the Dayton Agreement and to mobilize and coordinate the activities of civilian organizations participating in the peace operation.

OSCE Mission Assessment

In fiscal year 1997, the State Department obligated \$2.4 million for the OSCE mission assessment that covers the cost of OSCE's human rights and arms control activities.

USAID Operating Expenses and Other Costs

USAID obligated \$4.4 million in fiscal year 1997 for planning, project design, audit, and other support for Bosnia programs.

¹⁵This amount includes \$21.7 million in fiscal year 1996 carryover funds.

¹⁶According to State Department officials, the number of civilian police ranged from 200 to 222 during this period.

Events in the Republika Srpska Political Crisis, June 1997-January 1998

This appendix provides a chronology of events that occurred during the political crisis in Republika Srpska from June 1997 through January 1998 (see table II.1). In mid-July 1996, Radovan Karadzic, the leader of the Serb Democratic Party (SDS) and an indicted war criminal, was forced by the international community to relinquish the offices of Republika Srpska President and SDS President and was not allowed to run for any office in Bosnia's September 1996 elections. Biljana Plavsic, an SDS executive and hard-line nationalist, became Temporary Acting President of Republika Srpska immediately thereafter and was elected Republika Srpska President in September 1996. In late 1996 and early 1997, there were signs of a growing rift between President Plavsic and Karadzic, who retained the support of hard-line SDS members. Karadzic and his supporters operated from the city of Pale in eastern Republika Srpska, while President Plavsic was based in the western Republika Srpska city of Banja Luka, the largest city in the entity.

Table II.1: Chronology of Events in Republika Srpska's Political Crisis, June 1997-January 1998

Date	Event
June 27, 1997	Republika Srpska President Biljana Plavsic suspends Interior Minister Dragan Kijac, a supporter of Radovan Karadzic. This move followed an attempt by Kijac to remove certain officers and units from Banja Luka, who were believed to have been involved in compiling a special police investigative report on irregularities in the financial operations of two state companies.
June 29	Plavsic is detained at Belgrade airport by Federal Republic of Yugoslavia police and is subsequently escorted to Banja Luka. She refused to yield to demands that she attend meetings in Pale, the stronghold of SDS hard-liners. Shortly thereafter, Plavsic issues a statement on television, warning that the international community would not wait much longer for Republika Srpska to establish "a state of law, which is the only condition for survival" of a separate Serb state. She vowed to use all her constitutional authority to prevent the catastrophe of the international community merging Republika Srpska into a unified Bosnia, which she foresaw if Bosnian Serbs proved incapable of establishing order and constitutionality in their own state.
July 1	The SDS executive board calls on Plavsic to return to her office in Pale or resign. Republika Srpska state television (SRT) continues to attack Plavsic.
July 2	The Contact Group—a group consisting of the United States, the United Kingdom, Italy, Germany, France, and Russia—expresses sharp concern over the political situation in Republika Srpska and warns that unless the situation is resolved peacefully, Republika Srpska risks even greater isolation from international sympathy and assistance.
July 3	Plavsic orders dissolution of the Republika Srpska National Assembly (or parliament), which is controlled by the SDS, and calls for new elections.
July 4	The parliament begins a session in defiance of Plavsic's order for dissolution.
July 7	The peace operation's principal organizations—the Office of the High Representative (OHR), the Stabilization Force (SFOR), the Organization for Security and Cooperation in Europe (OSCE), the U.N. Mission in Bosnia and Herzegovina (UNMIBH) and the U.N. High Commissioner for Refugees (UNHCR)—send a letter to Plavsic, copied to Krajisnik, the Serb member of Bosnia's collective Presidency and an SDS leader. The letter acknowledged Plavsic's decision to dissolve the parliament, which was deemed by the international community to be in conformity with Republika Srpska's constitution. It also assured Plavsic that military activity in either entity that was not in accordance with annex 1A of the Dayton Agreement would not be tolerated by SFOR and concluded by assuring Plavsic of their support in her endeavors to implement the peace agreement.

(continued)

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Events in the Republika Srpska Political
Crisis, June 1997-January 1998

Date	Event
July 9-10	Republika Srpska's Constitutional Court passes a ruling, which orders the suspension of all enactments and actions by state organs, organizations, communities, and public high-ranking officers in the entity, pending its final decision on the constitutionality of Plavsic's decision to dissolve the parliament and hold new elections.
July 10	British SFOR troops detain for the first time a person indicted for war crimes, a Bosnian Serb, and kill another in self-defense. The operation took place in Prijedor, Republika Srpska, and was followed by about 3 weeks of low-level violence directed against the international community, including SFOR.
July 19	The SDS executive board expels President Plavsic, a member of the board, from the party and calls for her to resign from her post as Republika Srpska President and to transfer her duties over to the Vice-President.
July 22	Republika Srpska Supreme Court rejects as "illicit" a government petition submitted against Plavsic for her decision to dissolve the parliament and call new elections. The Republika Srpska Constitutional Court is to make the final decision on the constitutionality of Plavsic's decision by mid-August.
August 1	Council of Ministers session cancelled due to nonattendance of the Republika Srpska delegation.
August 7	SFOR initiates new policy, within the existing SFOR mandate, for the control and restructuring of the entities' special police forces.
August 11	SFOR troops surround Republika Srpska special police force premises in a settlement near Banja Luka.
August 12	SFOR troops inspect five Bosnian Serb special police bases in Pale following the decision to clamp down on units that are suspected of being a paramilitary force.
August 15	The Republika Srpska Constitutional Court announces its decision that Plavsic's July 3 decisions to dissolve parliament and call early elections was not in conformity with the Republika Srpska constitution. On August 21, a Constitutional Court judge viewed as loyal to Plavsic states publicly that he was beaten and intimidated to prevent him from voting.
	Plavsic forms her own political party, the Serb People's Union (SNS).
August 17	Special police forces loyal to Plavsic take over the Banja Luka civilian police headquarters, the public security center. The International Police Task Force (IPTF), supported by SFOR, enters and inspects the public security center in response to Plavsic's charges about its human rights abuses and undemocratic activity, including illegal surveillance. Sometime later, Plavsic gains control of public security centers in Prijedor and Mrkonjic Grad, as well as over one municipal station under the Dobojski public security center.
August 18	Plavsic rejects the Constitutional Court ruling that overturned her decision to dissolve parliament.
August 19	New Plavsic-appointed Banja Luka Police Chief arrested by pro-Pale security men, released later in the day.
August 22	The High Representative writes to Krajisnik in his capacity as chairman of the SRT board of directors expressing the dissatisfaction of the international community with SRT's continual instances of deliberate misinformation, inflammatory commentary, insulting language, and highly biased reporting.
August 23	Marko Pavic accepts post of Republika Srpska Interior Minister offered by Plavsic. Republika Srpska government cuts off relations with Plavsic and maintains own interior ministry that controls police in six of nine public security centers.
August 24	The Banja Luka studio of SRT begins broadcasting independent programming from Mount Kozara transmitter, while at the same time limiting SRT-Pale broadcasts to the Banja Luka region.
August 25	The scheduled session of Bosnia's collective Presidency is not held due to absence of Krajisnik, the Serb member of the Presidency and an SDS leader. The High Representative states that Republika Srpska authorities could face sanctions as the obstructing party on important issues such as citizenship and passport laws and ambassadors. Sanctions under consideration include denial of passports and visas to the Serb member of the Presidency.

(continued)

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Date	Event
August 27-28	Pro-Plavsic police fail in their attempt to take over the Doboj public security center. SFOR fires a warning shot at Bosnian Serb police near Doboj but denies taking over a Serb television transmitter. Seven Serbs arrested for takeover of a television transmitter near Doboj. Two bomb explosions were reported at the offices of the independent journal, "Alternativa," in Doboj, and inside offices of the Socialist Party, the first such attack in months.
August 28	Pro-Plavsic police fail in their attempt to take over Brcko and Bijeljina police stations, as rival factions also compete for television and radio towers and control over movements in the areas. Violence erupts in Brcko when crowds of 200-300 people began throwing rocks, bottles, and sticks at SFOR troops and other members of the international community. SFOR fires several warning shots as a deterrent. During the day, the crowd grows in size and the potential for violence increases significantly. The situation is exacerbated by Republika Srpska media, including SRT radio, misreporting incidents, claiming that SFOR was trying to occupy police stations, and attempting to incite the population to commit violent acts against the international community, particularly unarmed IPTF monitors and SFOR troops. As the crowd increases, SFOR soldiers are forced to use tear gas to deter further use of Molotov cocktails and to reduce the threat to their forces. At the request of the United Nations, SFOR assists in the evacuation of IPTF personnel from the town. The violence results in injuries to three Serbs, two SFOR soldiers, and an IPTF monitor, as well as severe damage to the IPTF station. After this incident, Pale consolidates its control over Brcko police.
August 30	In response to a request from the High Representative, the North Atlantic Council authorizes SFOR to shut down media whose output is in persistent and blatant violation of the spirit or letter of Dayton Agreement, in accordance with the Sintra declaration of May 1997. The council reaffirms that SFOR would not hesitate to take the necessary measures, including the use of force, against media inciting attacks on SFOR or other international organizations.
September 1-2	SFOR takes over Udrigovo transmitter in eastern Republika Srpska. A crowd of about 250 people menaces troops with sticks and rocks in an attempt to force them to leave the site. In order to disperse the crowd, SFOR deploys a single canister of tear gas. Krajisnik reaches an agreement with the Principal Deputy High Representative and the SFOR Commander that calls for Pale-controlled SRT to curb inflammatory reporting. SFOR would remain in the vicinity of the transmitter site to secure the facility and ensure it would not be used to incite violence against SFOR or the international community. The agreement was signed by the Commander of SFOR's Multinational Division (North), the SRT Editor-in-Chief, and the Deputy Minister of Interior.
September 8-9	On September 8, 1997, SDS buses in large numbers of people from throughout Republika Srpska, including police from eastern Bosnia, for an SDS rally in Banja Luka. Based on evidence presented by the Banja Luka Chief of Police, the Principal Deputy High Representative determines that the buses contained people intending to provoke disorder and possible violence and requests SFOR assistance in inspecting and turning back buses deemed as a threat. The day after the rally, senior hard-line SDS members and their security personnel, including some with special police identification cards, are blockaded in a Banja Luka hotel by pro-Plavsic police and a crowd of local residents until the Principal Deputy High Representative and SFOR soldiers assist the majority of the pro-Pale group in safely leaving the hotel. The remaining members of the group—including Krajisnik and the Pale Minister of Interior, Kijac—decline SFOR's offer of assistance and are verbally assaulted and pelted with eggs and stones by the pro-Plavsic crowd upon leaving the hotel.
September 13-14	Municipal elections are held throughout Bosnia. SDS wins about 28 percent of the vote, down from about 52 percent of the vote during the September 1996 elections. The combined Serb opposition, excluding SNS, wins about 30 percent of the vote, and Federation-based parties win about 26 percent. (SNS was formed too late to run in the municipal election.)
September 15	European Union foreign ministers act on a proposal from the High Representative and suspend granting visas for Krajisnik; Boro Basic, co-Premier on Bosnia's Council of Ministers; as well as Spasoje Albijanic, Bosnia's Minister of Communications and Civil Affairs; and Gavro Bogic, Bosnia's Deputy Minister for External Trade and the Economy, both of whom are Serbs.

(continued)

Appendix II
Events in the Republika Srpska Political
Crisis, June 1997-January 1998

Date	Event
September 16-26	UNMIBH finalizes the Republika Srpska police restructuring agreement, dated September 16, 1997. On September 24, the pro-Pale, Republika Srpska Prime Minister accepts all of the conditions contained in the agreement for SDS-controlled police. The next day, President Plavsic sends a letter to UNMIBH indicating that restructuring of police could begin. On September 26, the U.N. Special Representative to the Secretary General, the head of UNMIBH, announces that agreement was reached with Republika Srpska authorities on police restructuring.
September 24	Plavsic and Krajsnik meet with Federal Republic of Yugoslavia's President Milosevic. They decide to hold Republika Srpska parliamentary elections on November 15, 1997, under OSCE monitoring, and agree that news programs would be broadcast daily from studios in Pale and Banja Luka alternatively.
September 28	SRT-Pale broadcasts a "grotesque distortion" of a press conference by the Prosecutor of the International Criminal Tribunal for the Former Yugoslavia (war crimes tribunal) in violation of the September 2 agreement with SFOR. The broadcast includes editorial comments that depict Radovan Karadzic and Ratko Mladic (the two highest-ranking war crimes indictees) as national heroes, as well as accusations that the war crimes tribunal is a political instrument against the Serbs.
October 1	SFOR occupies and controls four SRT-Pale transmitters at Udrigovo, Duge Njive, Trebevic, and Leotar, as requested by the High Representative and authorized by the North Atlantic Treaty Organization (NATO) Secretary General and Supreme Allied Commander, Europe.
October 7	The High Representative sends a letter to Krajsnik in his capacity as chairman of the SRT-Pale board of directors, outlining a series of criteria for SRT's restructuring, prerequisites for resuming SRT-Pale broadcasts. The Banja Luka studio is sustaining programming output for SRT while the Pale studio's access is curtailed.
October 16-17	SRT-Pale is back on the air in defiance of an international ban.
October 18	SFOR takes over a fifth transmitter at Veliki Zep, near Han Pijesak, and discovers upon inspecting the site that the transmitter had been tampered with and vital parts removed. Even though he denies having taken the stolen transmitter pieces, Krajsnik makes clear to the international community over the next few days that he is in a position to hand them back if he chooses. The sabotage results in 30 percent of Republika Srpska's population receiving blank screens on the SRT channel.
October 19	U.S. Air Force aircraft, Commando Solo, starts broadcasting to SRT receivers explaining that normal service was cut when a key transmitter at Veliki Zep was sabotaged.
October 20	Bomb destroys SRT local transmitter in Bijeljina. The international community believes it is likely that SRT-Pale carried out the explosion.
October 21	OSCE announces that Republika Srpska parliamentary elections will be concluded by November 23, 1997.
October 30	SRT-Banja Luka television signal in eastern Republika Srpska is restored by SFOR via satellite links.
November 3	SRT-Banja Luka agrees to fully restructure in accordance with OHR proposals and internationally recognized standards of broadcasting and journalism.
November 10	SFOR seizes control of and then decertifies a Republika Srpska special police unit in Doboj. SFOR took this action in response to the actions of Republika Srpska special police on September 8 and 9, 1997, in Banja Luka, and the subsequent failure of Krajsnik to explain them.
November 22-23	Parliamentary elections held with 70-percent voter turnout.
December 7	OSCE announces provisional results of the parliamentary elections. SDS loses majority, going from 45 (of 83) seats to 24 seats. Plavsic's party, SNS, wins 15 seats.
December 27	Plavsic proposes Mladen Ivanic as the next Prime Minister of Republika Srpska.
January 12, 1998	Republika Srpska parliament reelects an SDS member as its President but fails to elect a new Prime Minister.
January 13	Bosnian Serb leaders in Pale begin operating a new television station. Although the station is registered as a private company, Pale's Information Minister is its director and most staff are former employees of SRT-Pale.

(continued)

Appendix II
Events in the Republika Srpska Political
Crisis, June 1997-January 1998

Date	Event
January 16	<p>The High Representative writes a letter protesting an interview given by Republika Srpska Prime Minister Klickovic, an SDS member, in which he spoke about the need to "remove" certain individuals to ensure the unity of Republika Srpska police. He requests that Klickovic not be allowed to hold any public office in Republika Srpska or be a candidate in Bosnia's September 1998 elections and that criminal proceedings be initiated against him.</p> <p>Mladen Ivanic resigns from his post as Republika Srpska Prime Minister-designate after failing to secure the backing of SDS and other hard-line Serb nationalist members of the Republika Srpska parliament.</p>
January 18	<p>Serb opposition and Federation-based political parties in the Republika Srpska parliament elect by one vote a new, relatively moderate government after hard-liners walked out in an attempt to disrupt the proceedings. Milorad Dodik is elected Prime Minister, is given a mandate to form a government, and announces his intent to comply with the Dayton Agreement. The international community, including SFOR, support the first meetings of the new parliament and transition to the new government through political and military means; for example, following the election of the new government, SFOR increases patrols and establishes observation posts in the vicinity of Republika Srpska government offices in and around Pale.</p>
January 22	<p>U.S. SFOR troops in Bijeljina detain a Bosnian Serb indicted for war crimes and surrender him to the war crimes tribunal.</p>
January 31	<p>Republika Srpska parliament meets in Banja Luka, swears in the new government, and votes to move the seat of the government from Pale to Banja Luka.</p>

Sources: OHR, OSCE, and NATO documents; interviews with UNMIBH, IPTF, and SFOR officials.

The Program to Train and Equip the Federation Army

This appendix provides details on the status of the U.S.-led international program to train, equip, and integrate the Bosniak and Bosnian Croat militaries into a unified Federation Army (see table III.1). The program remains a key element of the U.S. effort to establish a stable military balance in the region and sustain a secure environment in Bosnia.

As of April 1998, the total pledges and contributions to the train and equip program was about \$389 million, including \$109.1 million from the United States, with 14 countries pledging cash, equipment, training, or other support.¹ The United States and 10 other countries provided at least \$236.9 million in equipment, training and other in-kind donations. In addition, five countries have donated \$152 million in cash to the program: Saudi Arabia, Kuwait, the United Arab Emirates, Brunei, and Malaysia. According to State Department officials, the amount of cash contributed by each country is confidential.

¹Morocco pledged to support the program in 1996, but it has yet to specify the amount and type of support it would contribute.

Appendix III
The Program to Train and Equip the
Federation Army

Table III.1: Train and Equip Pledges and Contributions, by Country, as of April 1998

Dollars in millions

In-kind Donations^a					
Donor	Value	Heavy weapons	Light weapons	Training & other	Status
United States	\$100.0 drawdown authority ^b	45 M-60 tanks 80 M-113 armored personnel carriers 15 UH-1H helicopters	840 AT-4 light anti-tank weapons 46,100 M-16 assault rifles 1,000 M-60 machine guns	Combat simulation systems 2,332 radios 4,100 field phones 168 generators Binoculars Uniforms Maps Manuals	Heavy arms training begun Light arms distributed UH-1Hs in Germany for training
	\$7.68 EDA ^c	126 155mm towed howitzers (10 to be used for spare parts)		Camouflage screens Minefield marking sets Tank ammunition	Howitzers delivered November 1997 Remainder not yet delivered
	\$1.40 IMET ^d			FY 96-98 funding for English instructor and officer training	34 officers trained in United States
United Arab Emirates (UAE)	\$120.0	51 AMX-30 tanks 31 Panhard AML-90 armored reconnaissance vehicles 11 M3 Panhard transports 36 105mm howitzers		Artillery training provided in UAE	Equipment in storage in Bosnia
Egypt	\$3.8	10 T-55 tanks ^e 12 M59 130mm field guns 12 D-30 122mm howitzers 18 ZU-23 anti-aircraft guns		Officer training in Egypt	Artillery delivered December 1996; Tanks delivered October 1997

(continued)

Appendix III
The Program to Train and Equip the
Federation Army

Dollars in millions

Donor	Value	In-kind Donations^a			Status
		Heavy weapons	Light weapons	Training & other	
Turkey	\$2.0	10 T-55 tanks ^e	1,000 HK33 rifles 100 RPG-7 grenade launchers	500 soldiers provided tank and artillery training in Turkey	Weapons delivered Training ongoing
Malaysia	\$0.8 ^f			Officer training in Malaysia	Training completed
Jordan	Not available ^g			18 trainers in Bosnia for M-113 instruction	Training ongoing
Indonesia	\$2.0			32 trainers in Bosnia for medical, engineer training	Training completed
Pakistan	Not available ^g			M-113, UH-1H maintenance training	Training not yet started
Germany ^h	Not available ^g			M-113, UH-1H training in Germany	Training not yet started
Qatar	Not available ^g	25 AMX-10 armored personnel carriers		Maintenance training in Qatar	Training ongoing
Bangladesh	Not available ^g			Officer training in Bangladesh	Training ongoing
Totals	\$236.9				

^aIn addition, the \$152 million in cash donations have been used to (1) purchase 532 trucks and trailers, 36 multiple-launch rocket systems; (2) fund the MPRI contracts; (3) purchase spare parts and ammunition; and (4) fund the manufacturing of 51 artillery pieces, 50,000 kevlar helmets, and other equipment within the Federation.

^bCongress authorized the transfer of up to \$100 million in DOD equipment stocks and services to the government of Bosnia in Public Law 104-107, section 540, for fiscal year 1996. The State Department and DOD refer to this as "drawdown authority." As of December 1997, \$8.44 million in drawdown funding was not yet allocated, according to DOD figures.

^cExcess Defense Articles Program. DOD provides these articles under section 516 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2321j).

^dIMET program, fiscal years 1996-1998. The fiscal year 1998 IMET budget for Bosnia is \$650,000.

^eEgypt and Turkey provided these tanks as donations in addition to their original pledges.

^fMalaysia used part of its donated funds to pay for the cost of this training.

^gSeveral donors did not place a monetary value on some or all of their in-kind donations.

^hGermany is providing helicopter pilot, helicopter maintenance, and armored vehicle maintenance training as part of its own bilateral assistance program with the Federation.

USIA Polling Data on Opinions That Bosnia's Ethnic Groups Hold of Each Other

Since the signing of the Dayton Agreement in December 1995, USIA has fielded a series of public opinion polls in Bosnia. USIA analyses are based on responses from people belonging to the principal ethnic group in each of the following sampling areas: Republika Srpska; predominately Croatian regions of Bosnia; and predominately Bosniak¹ areas of Bosnia. Nineteen times out of 20, results from samples of similar size to USIA samples will differ by no more than 4 percentage points in either direction from what would be found if it were possible to interview every Bosnian Serb in Republika Srpska, every Bosniak in Bosniak-dominated areas of the country, and every Bosnian Croat in Croat-dominated areas of the country. The following figures present some results from these polls on opinions that Bosnia's three major ethnic groups hold of each other (see figs. IV.1-6).

¹USIA data show results for "Bosnian Muslims," not Bosniaks. For purposes of this report, we have used the terms synonymously.

Appendix IV
USIA Polling Data on Opinions That
Bosnia's Ethnic Groups Hold of Each Other

Figure IV.1: Bosniak Opinion of Bosnian Croats, December 1995 Through January 1998

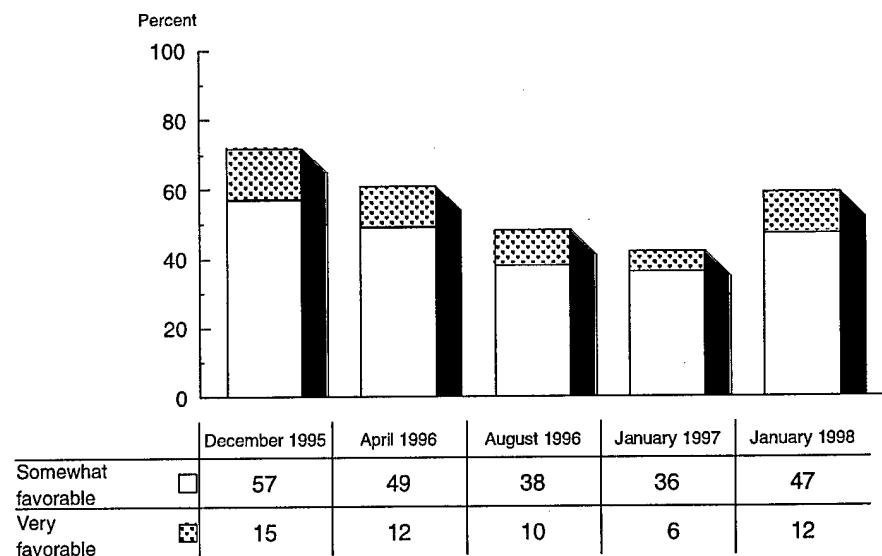
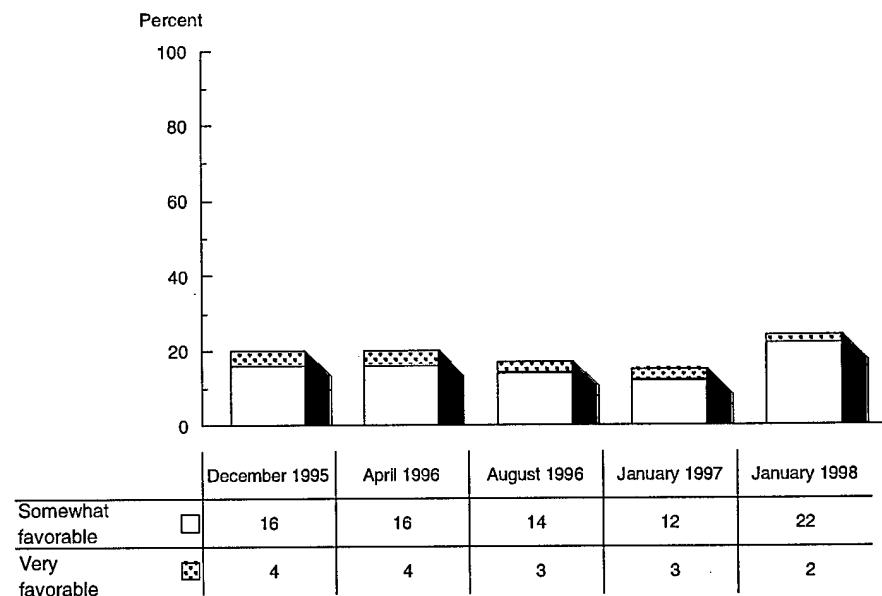


Figure IV.2: Bosniak Opinion of Bosnian Serbs, December 1995 Through January 1998



Appendix IV
USIA Polling Data on Opinions That
Bosnia's Ethnic Groups Hold of Each Other

Figure IV.3: Bosnian Croat Opinion of Bosniaks, December 1995 Through January 1998

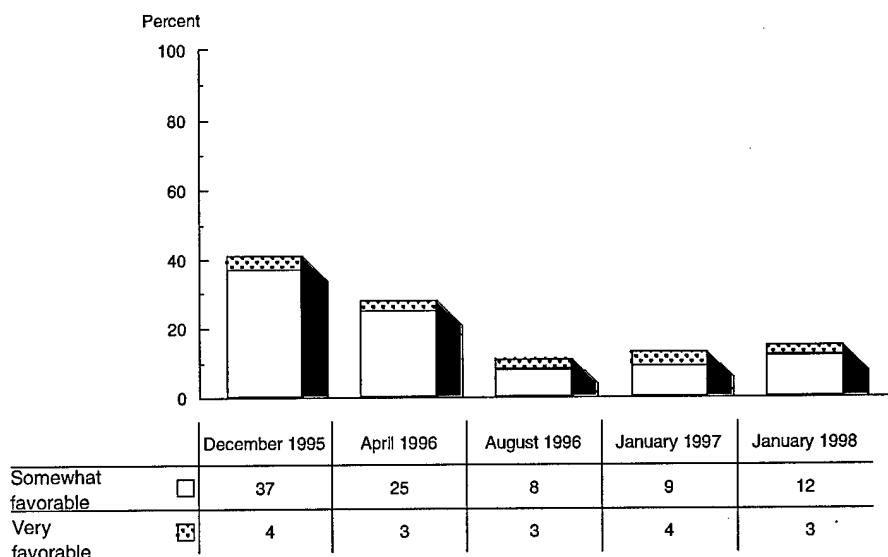
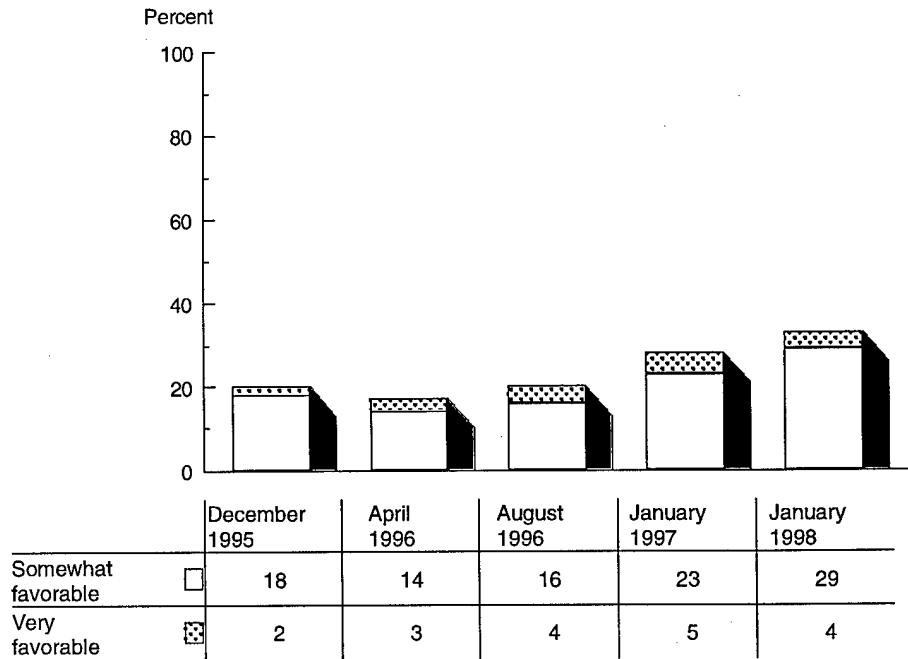


Figure IV.4: Bosnian Croat Opinion of Bosnian Serbs, December 1995 Through January 1998



Appendix IV
USIA Polling Data on Opinions That
Bosnia's Ethnic Groups Hold of Each Other

Figure IV.5: Bosnian Serb Opinion of Bosniaks, December 1995 Through January 1998

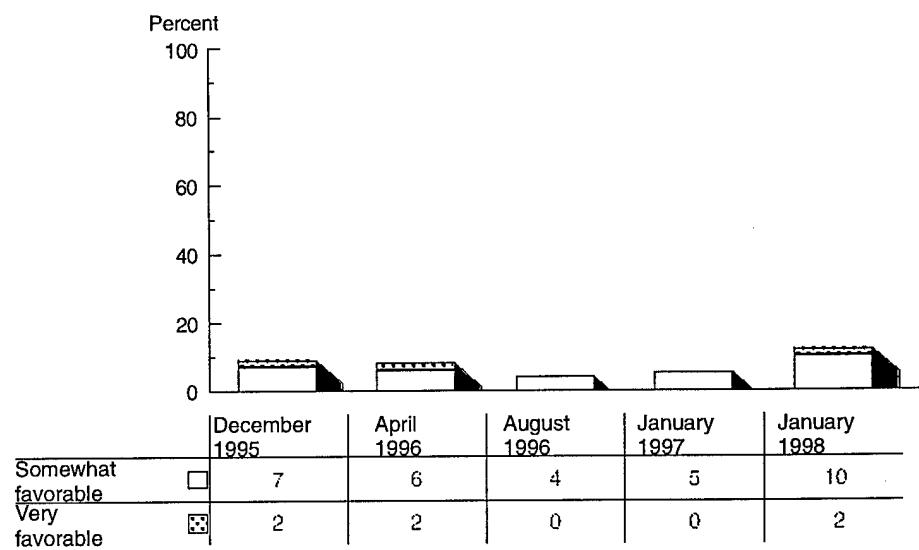
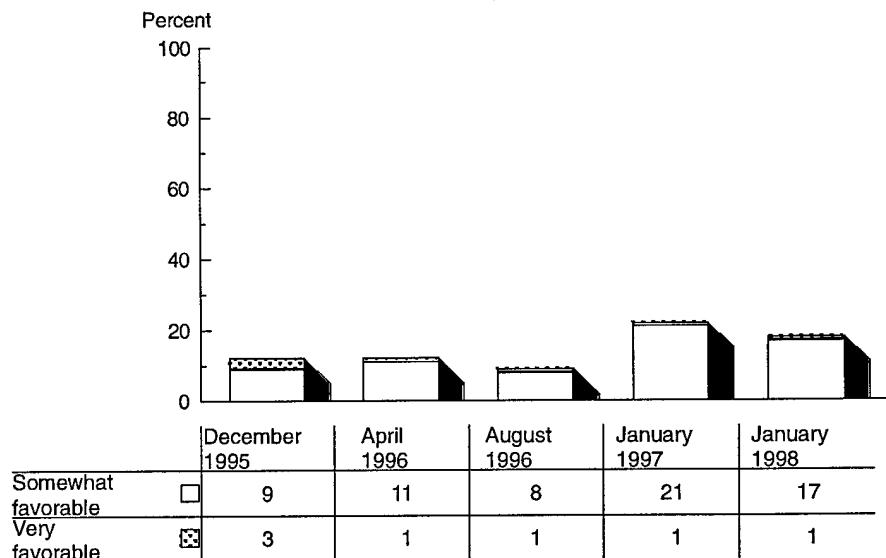


Figure IV.6: Bosnian Serb Opinion of Bosnian Croats, December 1995 Through January 1998



Returns of Bosnian Refugees and Internally Displaced People in 1996 and 1997

This appendix provides detailed information on the status of Bosnia's refugees and internally displaced persons. Table V.1 contains information on the number and location of refugees that still remain abroad. The majority of refugees reside in the Federal Republic of Yugoslavia and Germany. Tables V.2 and V.3 show the number of refugees and internally displaced persons, respectively, returning to the Federation, by canton, and Republika Srpska in 1996-97. Table V.4 calculates the total number of refugees and internally displaced persons that returned home in 1996-97.

Table V.1: Bosnian Refugees in Host Countries, as of December 1, 1997

Current location	Persons with durable solutions ^a	Persons without durable solutions	Projected returnees in 1998 ^b
Australia	26,300	0	N/A
Austria	74,740	8,300	2,000-4,000
Belgium	4,736	1,533	800
Canada ^c	47,578	0	N/A
Croatia	178,748	77,091	20,000-40,000
Czech Republic	5,240	0	N/A
Denmark	21,421	1,352	400
Finland	1,350	0	N/A
France	7,606	7,400	N/A
Federal Republic of Yugoslavia	4,381	294,006	20,000-40,000
Romania	1,489	3,500	N/A
Germany ^d	125,000	220,000	80,000-120,000
Greece	3,750	250	N/A
Hungary	2,254	946	200
Ireland	1,062	20	N/A
Italy	926	9,285	N/A
Liechtenstein	225	171	N/A
Luxembourg	1,443	30	N/A
Netherlands	18,440	6,293	N/A
New Zealand	146	0	N/A
Norway	12,885	0	2,000
Slovak Republic	2,400	0	N/A
Slovenia	27,500	5,929	N/A
Spain	N/A	2,000	N/A
Sweden	58,400	3,100	1,000
Switzerland	12,449	11,658	8,000
Turkey	3,060	940	N/A

(continued)

Appendix V
Returns of Bosnian Refugees and Internally
Displaced People in 1996 and 1997

Current location	Persons with durable solutions^a	Persons without durable solutions	Projected returnees in 1998^b
United Kingdom ^c	4,646	3,165	200
United States	64,400	0	N/A
Total	712,575	611,969	134,600-216,600

Legend
 N/A = Not available

^aIncludes humanitarian/refugee status, other resident status, resettlement, and repatriation.

^bThese figures are based on projections made available by countries hosting refugees from Bosnia as well as on UNHCR estimates.

^cThis figure records the number of persons from the former Yugoslavia granted Canadian landed immigrant status from 1992 until the end of November 1997. Although the largest component within this number consists of citizens from Bosnia, the figure includes immigrants from other countries of the former Yugoslavia.

^dUNHCR estimates.

^eNot including figures prior to 1996. All nationals of the former Yugoslavia.

Source: UNHCR data.

Table V.2: Repatriation of Refugees to Bosnia in 1996 and 1997

Federation (canton)	1996	1997^a	Total
Una Sana	22,885	22,900	45,785
Posavina	8,432	16,900	25,332
Tuzla-Podrinje	5,695	11,000	16,695
Zenica-Doboj	2,896	7,300	10,196
Gorazde	682	3,700	4,382
Central Bosnia	2,002	7,600	9,602
Neretva	761	7,800	8,561
West Herzegovina	6	400	406
Sarajevo	29,000	30,500	59,500
West Bosnia	4,924	3,550	8,474
Unknown destination	2,831	0	2,831
Subtotal	80,114	111,650	191,764
Republika Srpska	7,925	8,700	16,625
Total	88,039	120,350	208,389

^aAs of December 1997

Source: UNHCR data.

Appendix V
Returns of Bosnian Refugees and Internally
Displaced People in 1996 and 1997

Table V.3: Displaced Persons Who Returned Home in 1996 and 1997

Federation (canton)	1996	1997^a	Total
Una Sana	36,993	350	37,343
Posavina	883	3,500	4,383
Tuzla-Podrinje	16,891	13,600	30,491
Zenica-Doboj	4,614	1,000	5,614
Gorazde	1,558	500	2,058
Central Bosnia	29,279	6,000	35,279
Neretva	257	3,000	3,257
West Herzegovina	0	10	10
Sarajevo	12,165	24,200	36,365
West Bosnia	273	1,000	1,273
Subtotal	102,913	53,160	156,073
Republika Srpska	61,854	5,200	67,054
Total	164,767	58,360	223,127

^aAs of December 1997

Source: UNHCR data.

Table V.4: Total Returns in 1996 and 1997

Entity/returnees	1996	1997	Total
Federation			
Refugees	80,114	111,650	191,764
Displaced persons	102,913	53,160	156,073
Subtotal	183,027	164,810	347,837
Republika Srpska			
Refugees	7,925	8,700	16,625
Displaced persons	61,854	5,200	67,054
Subtotal	69,779	13,900	83,679
Total Bosnia			
Refugees	88,039	120,350	208,389
Displaced persons	164,767	58,360	223,127
Total	252,806	178,710	431,516

Source: Calculated from UNHCR data.

Bosnia's Priority Reconstruction and Recovery Program for 1996 and 1997

Bosnia's Priority Reconstruction and Recovery Program is providing the framework for simultaneously carrying out economic reconstruction, the development of governmental structures, and the transition from socialism to a market economy. The three main objectives are to (1) provide sufficient financial resources to initiate a broad-based rehabilitation process that will jump-start economic recovery and growth; (2) strengthen and rebuild government institutions; and (3) support, in parallel, the transition to a market economy.

Donor Pledges, Commitments, and Funds Expended

In 1996, 59 donor countries and organizations pledged \$1.9 billion and committed \$2.04 billion in support of the reconstruction effort in Bosnia. According to an April 1998 report by the World Bank and the European Commission, during 1997, 31 of the program's original donors pledged an additional \$1.24 billion, of which \$1.22 billion was committed toward Bosnia's reconstruction. As of December 31, 1997, the 1996-97 combined donor pledge was \$3.14 billion, and the combined commitments totaled \$3.26 billion.

The largest individual donor is the European Commission, committing a total of \$698.64 million, followed by the United States (\$528.79 million), the World Bank (\$522.60 million), Japan (\$212.30 million), the Netherlands (\$175.80 million), Italy (\$103.00 million), and the European Bank for Reconstruction and Development (\$98.06 million). These top seven donors accounted for \$2.34 billion, or 72 percent, of the 1996-97 committed funds.

Over the program's first 2 years, an estimated \$1.7 billion—52.3 percent of the total committed funds—had been expended, that is, spent on the ground.¹ The United States expended more funds than any other donor during this period, about \$847.5 million, or 66 percent of U.S. commitments, followed by the European Commission with \$318.16 million (46 percent of European Commission commitments) and the World Bank with \$281.60 million (54 percent of World Bank commitments). (See table VI.1.)

¹Funds expended represent (1) actual expenditures made against works, goods, and service contracts; (2) the value of assistance delivered in kind; and (3) balance of payments support. The definition of funds expended does not include advances made to implementing agencies for future payments to suppliers.

Appendix VI
Bosnia's Priority Reconstruction and
Recovery Program for 1996 and 1997

Table VI.1: Donor Pledges and Commitments for Bosnia's Reconstruction Program During 1996 and 1997, as of December 31, 1997

Dollars in millions

Donor	Total pledges	Total commitments^a	Funds expended
European donors			
European Commission ^b	\$673.20	\$698.64	\$318.46
Albania	0.02	0.02	0.02
Austria ^b	19.90	29.44	26.80
Belgium ^b	10.37	8.27	3.51
Bulgaria	0.01	0.03	0.03
Croatia ^b	11.10	24.90	14.14
Czech Republic ^b	6.50	6.97	6.33
Denmark ^b	15.70	18.57	11.82
Estonia	0.07	0.07	0.07
Federal Republic of Yugoslavia (Serbia and Montenegro) ^b	20.00	21.70	11.70
Finland ^b	10.50	19.46	9.55
Former Yugoslav Republic of Macedonia	0.10	0.15	0.16
France ^b	19.43	17.00	11.48
Germany ^b	51.45	77.62	65.54
Greece ^b	17.00	16.95	7.45
Hungary	1.00	1.00	1.00
Iceland	1.60	1.60	0.15
Ireland ^b	8.00	9.21	8.50
Italy ^b	98.45	103.00	26.07
Latvia	0.09	0.11	0.11
Lithuania	0.07	0.08	0.08
Luxembourg ^b	6.03	5.71	2.78
Netherlands ^b	175.02	175.80	102.82
Norway ^b	67.76	80.95	66.97
Poland	2.90	3.00	•
Portugal	1.00	•	•
Romania	0.21	0.24	0.24
Russia	50.00	•	•
San Marino	0.14	0.23	0.23
Slovakia ^b	3.00	1.50	1.50
Slovenia ^b	5.89	5.31	3.56
Spain ^b	38.70	37.30	16.74
Sweden ^b	55.40	65.45	57.93

(continued)

Appendix VI
Bosnia's Priority Reconstruction and
Recovery Program for 1996 and 1997

Dollars in millions			
Donor	Total pledges	Total commitments^a	Funds expended
Switzerland ^b	68.80	69.12	44.06
United Kingdom ^b	67.20	84.44	65.47
Council of Europe Social Development Fund	5.00	6.50	0.40
Subtotal	1,511.61	1,590.34	885.67
Islamic countries			
Organization of the Islamic Conference	3.00	3.00	3.00
Brunei	2.00	23.12	19.47
Egypt ^b	3.60	4.03	1.03
Indonesia	2.10	2.08	1.00
Jordan	1.37	1.37	•
Kuwait ^b	47.70	47.55	•
Malaysia ^b	24.30	26.94	13.13
Qatar	5.00	9.31	3.80
Saudi Arabia ^b	75.00	45.40	23.73
Turkey	26.50	66.50	2.70
Subtotal	190.57	229.30	67.86
Other non-European countries			
Australia	1.13	1.13	1.13
Canada ^b	40.04	35.77	24.94
Japan ^b	266.70	212.30	63.60
Republic of Korea ^b	1.80	1.80	1.00
United States ^b	523.80	528.79	347.45
Subtotal	833.47	779.79	438.12
International financial institutions			
European Bank for Reconstruction and Development	80.21	98.06	11.32
Islamic Development Bank	15.00	19.00	7.73
World Bank ^b	490.00	522.60	281.60
Subtotal	585.21	639.66	300.65
Other multilateral donors			
International Committee of the Red Cross	1.50	1.50	1.50
International Fund for Agricultural Development	7.30	7.32	6.72
United Nations Development Program	2.00	1.13	0.64
World Health Organization	1.18	1.88	1.88
Subtotal	11.98	11.83	10.74
Private donors			

(continued)

Appendix VI
Bosnia's Priority Reconstruction and
Recovery Program for 1996 and 1997

Dollars in millions			
Donor	Total pledges	Total commitments^a	Funds expended
Soros Foundation	5.00	5.96	0.26
Subtotal	5.00	5.96	0.26
Total	\$3,137.84	\$3,256.88	\$1,703.30

^aIncludes both indicative and firm commitments.

^bDonor pledged funds for the 1996 and 1997 economic reconstruction programs. All other donors pledged funds for the 1996 program only.

Source: Bosnia and Herzegovina—The Priority Reconstruction Program: Achievements and 1998 Needs.

A number of donors have transferred part of their contributions to trust funds administered by international agencies, including international financial institutions. As of December 31, 1997, these funds totaled \$294.27 million, including \$228.9 million that are grant funds to Bosnia in a trust fund with the World Bank.

Sectoral Progress

Progress in the reconstruction effort can be measured by how much of the firmly committed funds had been disbursed (see table VI.2).² As of December 31, 1997, \$1.84 billion, or 61 percent of the \$3 billion in firmly committed funds for 1996-97, had been disbursed.³ Implementation of donor programs during 1997 was somewhat slower than in 1996, according to the World Bank and European Commission report because many of the new commitments were made after the end of the construction season, as the third donors' conference was delayed until July 1997 due to the parties' unwillingness to pass necessary economic legislation.

²Disbursed funds are those transferred to an account in the name of a Bosnian agency, or a disbursement agency (foreign or local) in Bosnia, and include expenditures made against works, goods, and service contracts and for balance of payments support. This category also includes funds advanced to implementing agencies for the purpose of payment to contractors or suppliers but not yet expended. In-kind assistance is considered disbursed once provided.

³Information on funds expended by sector was not available.

Appendix VI
Bosnia's Priority Reconstruction and
Recovery Program for 1996 and 1997

Table VI.2: 1996-97 Program Requirements, Commitments, and Disbursements by Sector for the Bosnia Priority Reconstruction Program, as of December 31, 1997

Dollars in millions

Sector	Program requirements	Firm commitments	Disbursements	Disbursements as a % of firm commitments
Reconstruction sectors				
Agriculture	\$187	\$126	\$79	63%
Education	142	173	109	63
Employment generation	105	109	58	53
Energy (District heating and natural gas) (Electric power and coal)	713 (251) (462)	456 (90) (366)	248 (45) (203)	54 (50) (55)
Govt. and social support	195	150	92	61
Health	235	172	82	48
Housing	315	451	334	74
Industry and finance	300	344	207	60
Landmine clearing	130	74	40	54
Telecommunications	220	40	19	48
Transport	492	308	145	47
Water and waste management	240	171	93	54
Subtotal	3,274	2,574	1,506	59
Peace implementation ^a	•	243	158	65
Balance of payments ^b	•	189	177	94
Total	\$3,274	\$3,006	\$1,841	61%

Note: Items in parentheses indicate sectoral subtotals.

^aPeace implementation activities, a majority of which have taken place on an interentity basis, include support for elections, media, and IPTF's police restructuring program. These activities, while essential to provide the necessary conditions for reconstruction and recovery to take place, were not considered part of the framework of the Bosnia Priority Reconstruction Program in 1996 and 1997. The World Bank added a security sector to the 1998 Priority Reconstruction Program to request funds specifically for the police restructuring program; this sector will require \$72 million for the year.

^bBalance-of-payments support is provided to the government of Bosnia for reserve buildup for imports and the startup of a currency board. The counterpart funds of balance-of-payments support can be used by the government to finance overall fiscal needs, including recurrent costs in different sectors and other reconstruction-related expenditures.

Source: Bosnia and Herzegovina—The Priority Reconstruction Program: Achievements and 1998 Needs.

Demining Operations in Bosnia

This appendix provides an overview of the landmine problem in Bosnia and the actions of the international community to address it.

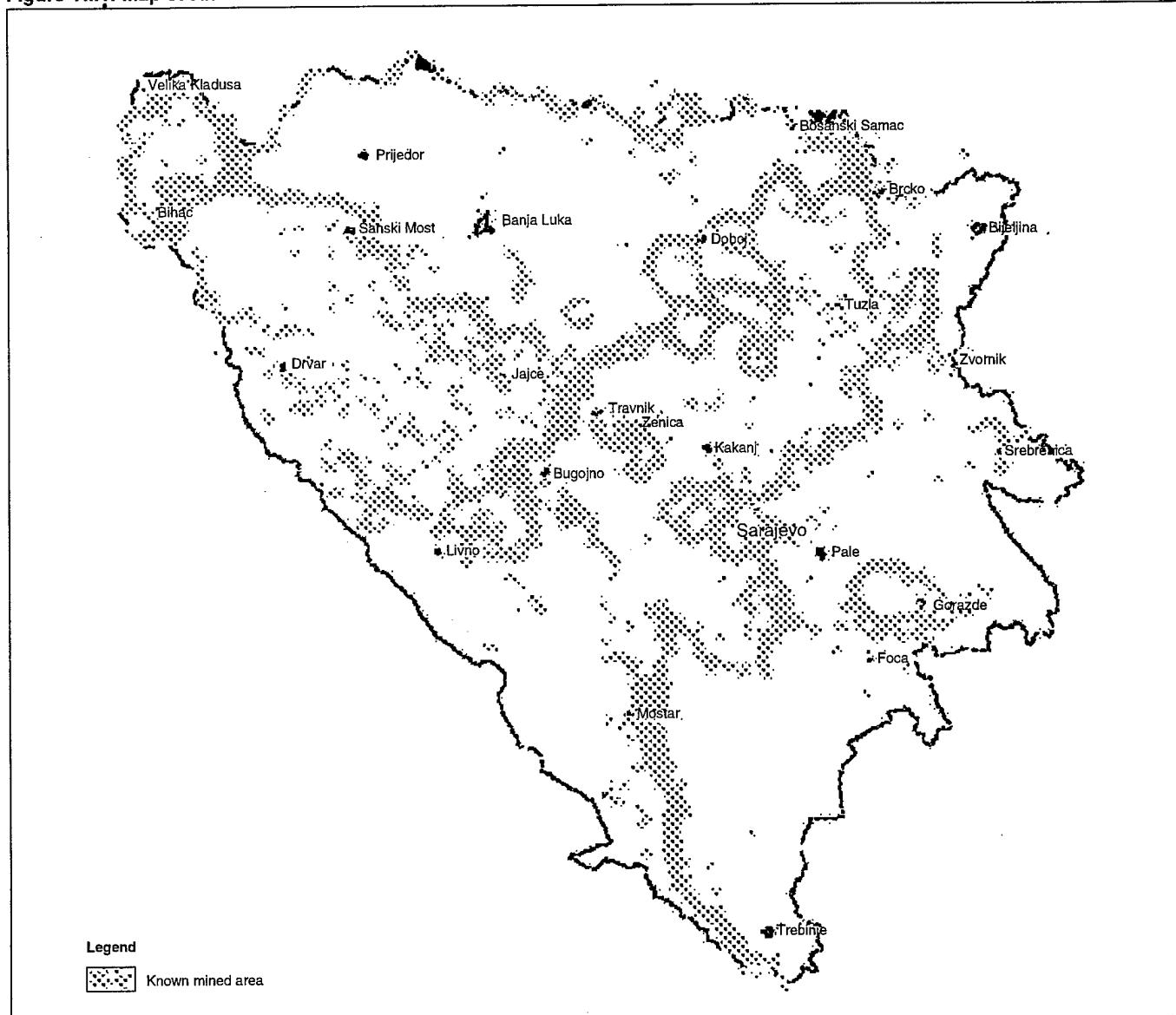
The Landmine Problem and Efforts to Solve It

The United Nations and other donors have estimated that there are over 30,000 mined areas containing between 750,000 and 1 million landmines in Bosnia. The minefields, located primarily in areas surrounding the former confrontation lines, cover approximately 3,243 square miles.¹ (See figure VII.1.) Between January 1996 and December 31, 1997, 328 people received minor injuries, 561 people were seriously injured, and 209 were killed by landmines. This is equal to approximately 46 casualties per month, 9 of which are fatal. Thirty-two of the 209 fatalities were children. Clearing mines from Bosnia has been identified as one of the gravest problems facing the full implementation of the Dayton Agreement.

¹Bosnia's total area is 19,781 square miles.

Appendix VII
Demining Operations in Bosnia

Figure VII.1: Map of Known Mined Areas in Bosnia



Note: This map identifies the locations of the 18,086 known mined areas in Bosnia. It is estimated that there are approximately 30,000 mined areas.

Source: United Nations Mine Action Center, Sarajevo, Bosnia.

A number of organizations, including the United Nations, the United States, SFOR, the European Union, the World Bank, private companies, and nongovernmental organizations have contributed to demining efforts in Bosnia.² During 1997, there were over 1,000 deminers working in Bosnia. As of December 1997, the combined labor of all deminers in Bosnia had cleared 28,425 landmines and 19,572 pieces of unexploded ordnance.³ This work has opened roads and railways and allowed access to homes and farmland that had been unusable because of the presence of landmines. Despite this progress, it is estimated that it will take decades to rid Bosnia of the landmines left over from the 3.5-year war.

Future efforts to remove landmines must be lead by the Bosnian government. To this end, a Bosnia-Herzegovina Commission for Demining has been established. Although the removal of landmines, by the entity governments, left over from the war is covered by the Dayton Agreement, the manufacture and stockpiling of landmines are not. Consequently, the decision to stop the production and storing of landmines is a decision that the Bosnian and entity governments must make on their own.

**Actions Taken by the
United Nations to Remove
Landmines**

The United Nations Mine Action Center (UNMAC) was established in May 1996 at the request of the government of Bosnia to address problems associated with landmines.⁴ The UNMAC is responsible for coordinating the efforts of the international community with those of the Bosnian government. Through assistance provided by the U.S. government and SFOR, the UNMAC created a data base that contains records of 18,086 minefields or approximately 60 percent of the total estimated minefields.⁵ The data base is used by the various organizations conducting demining operations in Bosnia to plan and conduct their work. The UNMAC also helped to coordinate a national landmine awareness campaign and conducted landmine awareness briefings. The UNMAC originally planned to

²A U.S. DOD official characterized the 1997, Bosnia demining operation as an eclectic collection of well-intentioned organizations that lacked shared leadership, vision, management, training, and funding capabilities. The Office of the High Representative's Reconstruction and Return Task Force reported that the 1997 demining effort in Bosnia had been marred by suboptimal delivery and competing programs.

³According to the United Nations, approximately 2.4 square miles of land were cleared in 1997. A U.N. official estimated that it will take 2,000 deminers to clear 9-12 square miles per year using manual tools such as prods and metal detectors. The speed of the landmine clearance effort can be increased significantly if machines and specially trained dogs are used.

⁴The United States provided funding and assistance to help establish the UNMAC.

⁵The minefield records are provided by the entity armies. As of April 1997, the entity armies had not supplied all of the minefield information believed to be in their possession.

train 1,200 deminers. The revised 1997 U.N. consolidated appeal for funding set a target of \$23 million for the UNMAC's work; however, only \$7.8 million was received. (See table VII.1.) Consequently, only 120 deminers were trained.⁶ The UNMAC was to be transferred to the Bosnian government in December 1997; however, as of April 1998, the transfer was still ongoing.⁷

Table VII.1: Major Funding Sources for Demining in Bosnia, 1996-97

Dollars in millions	
Organization	Amount
World Bank ^a	\$40.0
United States	15.5
United Nations	7.5
European Union	7.2
Total	\$70.2

^aDuring this period, the World Bank's total requirement for demining was \$130 million. As of December 31, 1997, it had received firm commitments for \$74 million, or 57 percent, of the total requirement and had disbursed \$40 million.

Sources: U.S. Department of State, UNMAC, European Union, and World Bank documents.

The United States Has Played an Important Role

The United States has played a key role in Bosnian demining efforts. The initial focus of the U.S. program was to establish an indigenous demining capability and to (1) assist in the rapid establishment of the UNMAC including the provision of computer equipment for the archiving of landmine-related information; (2) establish three regional centers for coordinating demining activities, providing landmine threat information, and conducting landmine survey and emergency clearance tasks; and (3) establish a landmine clearing training school. All three objectives were achieved. Under this program, in 1996, 165 Bosnian civilian deminers were trained and equally divided into three regionally based teams. In May 1997, consistent with a transfer of assets agreement, the U.S. State Department turned over all U.S.-purchased equipment in the UNMAC to Bosnia's national

⁶The UNMAC deminers are trained to meet humanitarian demining standards. There are two demining standards; a military standard (landmine lifting) and a humanitarian standard (landmine clearing). To meet the military standard, deminers remove those landmines listed on minefield records and any unlisted landmines they encounter. To meet the humanitarian standard, deminers focus on clearing an area to ensure that the area is 99.6 percent free of landmines. Areas demined according to the military standard are considered unsuitable for refugee returns and must be reexamined by humanitarian deminers prior to resettlement.

⁷The transfer includes vehicles, buildings, personnel, computers, and office equipment, as well as demining coordination and oversight responsibilities. Some of the computers and equipment were purchased with funding provided by the United States and were transferred to the Bosnian government in June 1997. This equipment will remain under the control of the UNMAC until its authority is transferred to the Bosnian government.

government.⁸ At the same time, the equipment and deminers located at the regional centers were transferred to respective Bosnian Serb, Bosnian Croat, and Bosniak representatives of the Bosnia-Herzegovina Commission for Demining.

Between July and December 1997, all three regionally based teams formed joint ventures with international demining companies and conducted demining operations funded by the World Bank. In March 1998, after the winter thaw permitted the resumption of demining operations, the three groups (and their international partners) commenced work on another series of demining contracts financed by a U.S. grant to the World Bank Demining Trust Fund.

In addition, in 1997, the United States, with assistance from SFOR, trained and equipped 450 military deminers from all three of the former warring factions. SFOR currently monitors the performance of these deminers. This effort was implemented to assist the parties to the Dayton Agreement in complying with the provisions of the agreement that specify that the parties must take responsibility for removing landmines placed during the war. According to State and SFOR officials, most of these deminers have received little or no pay from the entity governments, and some are suffering from a ration and clothing shortage. In addition, there is a disparity in the compensation and benefits (that is, life and health insurance) between civilian and military deminers. Consequently, the motivation of the military deminers is lower. In spite of these conditions, the military deminers are fulfilling their demining tasks in accordance with the Dayton Agreement.

Other Efforts to Rid Bosnia of Landmines

The European Union, Bosnian government, nongovernmental organizations, and private contractors contributed to the effort to rid Bosnia of landmines in 1997. The European Union has provided demining equipment and training to the Bosnian government. Specifically, in 1996, the European Union provided landmine detectors, protective suits, helmets, and landmine probes to government demining authorities in each entity. In 1997, the European Union hired a contractor that trained, equipped, and supervised 18 demining teams of 12 people each. Six teams conducted demining operations in Republika Srpska, and 12 teams operated in the Federation. Managers were also trained to oversee the demining effort.

⁸As of April 1998, the computer equipment and mine information data base, under the ownership of the Bosnian government, still resided at the UNMAC so that all three ethnic groups had equal access to it.

In addition, nine explosive ordnance disposal teams of four people each were trained, equipped, and supervised under another contract.⁹ According to a European Union official, the explosive ordnance disposal teams funded by the European Union were the only dedicated teams of this type operating in Bosnia in 1997 and were responsible for clearing approximately 66 percent (13,000 pieces) of the total unexploded ordnance reported as cleared by the UNMAC. The European Union also funded the demining of the Sarajevo water supply system and housing projects. These demining operations were carried out by an international, nongovernmental organization. In 1998, the European Union will provide funding to assist in the development of a sustainable, national explosive ordnance disposal and demining capacity in Bosnia. As of April 1998, funding to support these efforts totaled \$2.6 million.

In 1997, two nongovernmental organizations—Norwegian Peoples Aid and HELP (German)—and 15 private companies (7 international and 8 domestic) also were involved in demining operations in Bosnia. These organizations and companies were hired by the donor community to build local demining capacity and to clear specific sites near reconstruction projects, hospitals, schools, major roads, railway lines, bridges, power plants, water supply facilities, and residential areas. In some cases, they also provided emergency mine clearing operations in places where mine accidents were occurring. Funding for the demining operations carried out by these organizations came from the European Union, the United Nations, the United States, the World Bank, and other donors.

An amnesty for munitions, ordnance, and other warlike materials was declared on February 11, 1998, by the Bosnian government. Under the amnesty program, Bosnian citizens can turn in material to local police without the threat of prosecution. Although the emphasis of the program was on landmines and explosives, weapons were also included. SFOR monitored this program. The actual collection of material began in March and was scheduled to end on April 15, 1998. As of April 14, 1998, 6,350 landmines and 2,850 pounds of explosives had been turned in by the citizens of Bosnia. In addition to the landmines and explosives, 4,500 artillery and mortar shells, 511,000 ammunition rounds, 14,900 grenades, and 2,000 assorted weapons had also been turned over.

⁹The European Union provided salary support for the demining and explosive ordnance disposal units it trained.

Future Efforts to Remove Mines

In order to accomplish the long-term goal of removing all landmines from Bosnia there must be (1) an indigenous capability to conduct demining that is sustainable; (2) a long-term commitment by the joint Bosnian presidency to take responsibility for humanitarian demining; and (3) a cessation of the production, stockpiling, and use of landmines by the entity governments. To build an indigenous demining capacity, a Bosnia-Herzegovina Commission for Demining, working under the Council of Ministers, was established in January 1997, and a Bosnia-Herzegovina Mine Action Center was formally setup in December 1997.¹⁰ In addition, to comply with the directives of the Peace Implementation Council, each entity government was to establish its own mine action center by March 31, 1998.¹¹ The entity governments must also provide adequate resources to support demining activities and use their armed forces to carry out effective demining operations as part of an overall Bosnian demining program.¹²

The Bosnia-Herzegovina Commission for Demining will be supported by experts provided by international organizations and donor governments. These experts will help build an indigenous demining capacity within Bosnia. As part of this effort, the United Nations Development Program, in conjunction with the United Nations Office of Project Services, will provide technical and financial assistance to the Bosnian government for the implementation of the 1998 Mine Action Plan.¹³ In addition, a steering committee comprised of representatives from the United Nations, the Office of the High Representative, SFOR, the European Commission, the

¹⁰As of April 1998, the functions of these organizations were still being carried out by the UNMAC. According to U.N. and U.S. officials, the transfer of responsibility from the UNMAC to the Bosnia-Herzegovina Mine Action Center is taking longer than anticipated and had not been completed as of April 20, 1998.

¹¹Although progress had been made, as of April 20, 1998, the entity mine actions centers had not been established.

¹²The Commission for Demining was created to provide the necessary standards, guidelines, and policy directives for Bosnia as a whole, as well as to channel donor-provided resources to the entity governments and facilitate and coordinate demining operations across the interentity boundary line and between the entities. The Bosnia-Herzegovina Mine Action Center was established to serve as the technical advisor for the Commission and to maintain the national mine information data base. The entity-level mine action centers will incorporate the field activities and capacities of the UNMAC and act as a focal point for demining in each entity. As of April 1998, the entity-level mine action centers had not been established.

¹³The United Nations Consolidated Appeal for 1998 set a target of \$23 million for the UNMAC's work in Bosnia. As of February 28, 1998, only \$2.75 million was available.

World Bank, and the embassies of the United States and Norway in Sarajevo, will provide guidance to the Commission.¹⁴

The U.S. government is assisting in the development of a long-term, indigenous humanitarian demining capability in Bosnia. The estimated fiscal year 1998 U.S. contribution is \$9.3 million—\$7.3 million from the Department of State and \$2 million from DOD. The majority of the State Department funds, \$7 million, will be used to support the World Bank Demining Trust Fund and to execute direct demining contracts with the joint venture companies that employ many of the 165 regionally based deminers trained by the United States in 1996.

The \$2 million provided by DOD will be used to employ U.S. Special Operations Forces to assist SFOR in training Bosnian military deminers from both entities. As part of this effort, the United States and SFOR had trained 71 military demining instructors during December 1997 and January 1998. These instructors, with U.S. and SFOR assistance, then trained 43 demining teams of 10 people each to augment or replace the 450 military deminers trained in 1997. In addition, the United States is assisting SFOR in establishing three military demining training centers in Travnik, Mostar, and Banja Luka.¹⁵ These centers will be staffed by the military demining instructors trained earlier. The first classes are expected to be convened by mid-May 1998.

UNHCR has developed its own dedicated landmine clearance capacity, which operates through a memorandum of understanding with the United Nations Development Program. UNHCR is funding 6 demining teams, each consisting of 40 deminers. Current funding for this effort totals approximately \$2.6 million and is provided by UNHCR through the United Nations Development Program trust fund for demining in Bosnia. UNHCR retains full control over the tasking of the six demining teams. The teams focus on areas where refugees are returning—particularly those areas where UNHCR is implementing its Open Cities Initiative.

¹⁴The Bosnian and entity governments are required to obtain the steering board's agreement on major decisions affecting the demining program, including the appointment of senior staff to the mine action centers. The board insisted on a transparent funding structure that allows close auditing and international controls at all levels. The board has the capability to stop funding and, therefore, force relevant authorities to cooperate.

¹⁵SFOR has revised its program to train entity army deminers and demining instructors to U.N.-certified, humanitarian standards. SFOR's goal is to give these deminers the capability to lift mines in more remote areas and clear mines in more populated areas.

Continued Production and Stockpiling of Landmines Are Not Covered by Dayton

Landmine production and stockpiling are not covered by any of the provisions of the Dayton Peace Agreement. Consequently, it is up to the Bosnian and entity governments to decide what to do with the stockpiles of mines.¹⁶ The members of the Peace Implementation Council expressed concern at the December 1997 Peace Implementation Conference about the lack of demining legislation and the continued manufacture and export of landmines. The council stated that the Bosnian authorities must take steps to ensure that the facilities for the manufacture of landmines are dismantled and that all stocks are seized and destroyed. In addition, the Bosnian authorities should provide all landmine-related information to the Bosnia-Herzegovina Mine Action Center. As part of this effort, the council requested the Bosnian authorities to adopt a detailed plan for the implementation of the Convention on the Prohibition of the Use, Stockpiling, Production, and Transfer of Anti-Personnel Mines and on Their Destruction, by March 31, 1998.¹⁷

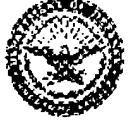
As of April 23, 1998, the entity governments had informed the OHR that they no longer produce, sell, or export anti-personnel landmines and had taken steps to dismantle anti-personnel mine manufacturing facilities or convert the facilities for other uses. However, they had not provided all landmine-related information to the Bosnia-Herzegovina Mine Action Center nor had they included anti-tank mines in their consideration of this issue. The OHR continues to pursue this matter further.

According to an OHR official, the entities are developing a detailed plan for the implementation of the Convention on the Prohibition of the Use, Stockpiling, Production, and Transfer of Anti-Personnel Mines and on Their Destruction. The Ministries of Defense of both entities were instructed to develop a plan at the December meeting of the Bosnia-Herzegovina Standing Committee for Military Matters by their respective presidents. This plan will be reviewed by the committee when completed.

¹⁶The former Yugoslavia was one of the world's leading producers and exporters of landmines.

¹⁷The Bosnian government signed the convention at the international Treaty-Signing Conference and Mine Action Forum held in Ottawa, Canada, in December 1997. The Bosnian assembly ratified the treaty on March 5, 1998.

Comments From the Department of Defense


OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000


POLICY

9 APR 1998

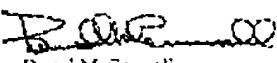
Mr. Benjamin F. Nelson
Director, International Relations and
Trade Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Nelson:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "BOSNIA PEACE OPERATION: Pace of Implementing The Dayton Agreement Accelerated in Mid-1997," dated April 1998 (GAO Code 711299/OSD Case 1577).

The Department of Defense has reviewed the report and generally concurs with the report. Technical corrections, updated information, and other suggestions were provided separately. The Department appreciates the opportunity to comment on the draft report.

Sincerely,


Brian McConnell
Director, Bosnia Task Force

* * *

Comments From the U.S. Agency for International Development



U.S. Agency for
INTERNATIONAL
DEVELOPMENT

APP 16 100

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U. S. General Accounting Office
441 G Street, NW Room 4039
Washington, DC 20548

Dear Mr. Hinton:

I am pleased to provide the U.S. Agency for International Development's (USAID's) formal response on the draft GAO Report entitled, "Bosnia Peace Operation: Pace of Implementing the Dayton Agreement Accelerated in Mid-1997" (April 1998).

We have entered our third year of programmatic activities in the country and have seen great strides made in the areas of economic reform, reconciliation and democratization. Despite the presence of individual Bosnian Serb, Croat and Bosniak hard-liners, moderate leaders have begun to move the country towards a new and peaceful future; the change is palpable. The report reflects the progress made and identifies the obstacles.

USAID's programs are flexible, allowing us to react quickly in support of positive changes occurring throughout the region. Our ability to adjust our program and to retool our assistance when the opportunity arises has been our major strength.

The election of Prime Minister Idriz in the Republika Srpska (RS) has created a window of opportunity to bring the two entities of Bosnia Herzegovina together. USAID and its international partners continue to press the RS government to move swiftly on implementing Dayton.

The Federation faces the difficult task of bringing together Croats and Bosniaks under one government. Hard-liners in several municipalities still wield considerable influence, but aided by USAID, moderate leaders are coming forward and are having an impact.

In these past two years, the groundwork has been laid and the efforts of the US government assistance in Bosnia are beginning to bear fruit. There is no doubt that more work is necessary in Bosnia to bring the two entities together, to defeat the influence of hard-liners and to build a democratic, economically self-sustainable and united Bosnia.

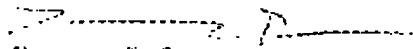
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Washington, DC 20548

Appendix IX
Comments From the U.S. Agency for
International Development

2

Thank you for the opportunity to respond to GAO's draft report and for the courtesies extended by your staff in the conduct of this review. Enclosed are specific line in/line out changes to the body of the report as well as an appendix list/log USAID's key accomplishments.

Sincerely,


Terrence J. Brown
Assistant Administrator
Bureau for Management

Enclosures: a/e

Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

10-14-98

Dear Mr. Binton:

The Department of State appreciates the opportunity to review your draft report "BOSNIA PEACE OPERATION: Pace of Implementing the Dayton Agreement Accelerated in Mid-1997," GAO Job Code 711259.

We have provided extensive technical changes to your staff and, although we have not been afforded the opportunity to review the revised version, we have been assured that they will be incorporated for the most part into your final report to Congress. We ask that this letter together with the changes not adopted be published as an appendix to the report.

If you have any questions concerning this response, please contact Mr. Douglas Smith, Deputy Special Advisor, Office of the Special Advisor, Bosnia Implementation, at (202) 647-4191.

Sinceately,

Kathleen J. Charles
Kathleen J. Charles, Acting

Enclosure:

As stated.

cc:

GAO/NSIAD - Mr. McCloskey
STATE/EUR/SACI - Mr. Smith

Mr. Henry L. Binton, Jr.,
Assistant Comptroller General,
National Security and International Affairs,
U.S. General Accounting Office.

Appendix X
Comments From the Department of State

GAO Bosnia Report
Job Code: 711299

Department of State comments on the GAO Draft Report on Bosnia Peace Operation
GAO Job Code: 711299

The Department of State appreciates the opportunity to comment on the GAO's draft report on the Bosnia Peace Operation, to be presented to the Senate Foreign Relations Committee.

The report acknowledges and catalogs many of the significant successes recorded over the course of the last year in the implementation of the Dayton Agreement. However, as positive as the report is, we do not believe it sufficiently conveys the momentum, hope and prospects that the developments of the last half of 1997 and the first few months of 1998 have brought to the overall circumstances in Bosnia and Herzegovina.

Since late spring of 1997, we have seen a sea change in the ability of normal Bosnians to move freely around the country; the establishment of important national symbols such as a flag, a common currency and common license plates; recognition of inter-entity mail service, telephone service and service at regional airports; great strides in police restructuring and the return of refugees/displaced persons; further democratization and pluralism in the political arena; tremendous advances in media openness; enhanced economic growth; advances in arms control, demining, and in training and equipping the Federation armed forces; better prospects for a settlement of the last of significant developments over surrender of war criminals; and, perhaps most importantly, a wresting of political power from Pale's war criminal elite.

Although we agree that caution is still in order, we are inclined to be somewhat more optimistic than the drafters of the report. The outlines of a stable peace for Bosnia and Herzegovina are now visible. The international engagement, led by the United States, is making a real difference. The administration's commitment to implementation benchmarks, rather than dates, as a measure of U.S. involvement has reassured our European allies, buoyed pro-Dayton elements within Bosnia and Herzegovina and sent a clear message to those obstructionists who hoped simply to wait us out.

The above leads us to the conviction that we have arrived at the correct tools for further engagement, and that we have the full support of the international community behind us in the implementation effort. The closing period of the report coincides with what we believe is another implementation upswing, based on the events that occurred in the Republika Srpska in late 1997 and early 1998. Nevertheless, we believe the report places inadequate emphasis on implementation successes and prospects.

We find the report otherwise quite comprehensive. We have attached the following comments to the Executive Summary to address a number of factual errors in the draft text, in addition to the comments we provided earlier on the body of the report.

Appendix X
Comments From the Department of State

GAO Bosnia Report
Job Code: 711299

EXECUTIVE SUMMARY:

See comment 1.

- Page 6, paragraph 1, second complete sentence:
The first clause of the sentence is untrue. There are many municipalities in both the Federation and in the RS which now enjoy functioning, multi-ethnic administrations. The argument can be made that the RS Assembly qualifies as such. The sentence should be modified. Secondly, the reference to "few economic links" being re-established is also misleading. In fact there is a "growing economic inter-connection" between and among the entities and ethnic groupings, and the sentence should be consonant to this reality.

See comment 2.

- Page 6, paragraph 2:
We strongly believe this paragraph understates the very real progress in the area of arms control and the importance it bears to longer-term stability. We would suggest that, for balance, a sentence be added, along the lines of: "The arms control efforts made to date pursuant to the agreement have met with outstanding success and hold the promise of long-term stability."

See comment 3.

- Page 7, paragraph 2, last sentence:
The paragraph as written, gives the impression that President Plavšić has been stalling for 2 years and that Pale crowd is cooperating to some extent as Plavšić - which is not the case. We suggest that GAO replace the sentence with: "Further, in September 1997, relatively moderate RS President Plavšić ended 2 years of RS intransigence by agreeing to cooperate with the International Police Task Force's restructuring program. Hard-line Bosnian Serbs in Pale also consented to restructuring in September 1997, but have not consistently followed through on debt commitments. As of March, nearly 6,000 RS police had been provisionally certified by the IPTF, most of them in the Western RS."

See comment 4.

- Pages 78, paragraphs 3/1, respectively:
As written, the paragraph gives the impression that all Bosnian Police are thugs - which is not true. Many of them are professional - but some fear retaliation from political leaders if they disobey political orders and comply with IPTF guidelines. We suggest GAO substitute the following paragraph: "Despite growing police cooperation with IPTF, political leaders continued to exert control over the police to further their political aims, as they had done throughout Bosnia's history. While some police have consistently protected the rights of all citizens regardless of ethnicity, sometimes at personal risk, others have succumbed to pressure from these political leaders not to comply with IPTF-mandated democratic policing policies. Many observers told us that the development of democratic police in Bosnia will require a change in Bosnia's political leadership and the control they still wield over the police."

See comment 5.

- Page 9, first complete paragraph, second sentence:
While it is true that the full report card on Prime Minister Dodik is not yet in, it is also true that he has taken a considerable number of steps in the right direction on the road to implementation of the Dayton agreement and that this has had an enormous effect on the process. We suggest that, for balance, this paragraph of the report summary should describe some of these positive steps taken, including: Dodik's agreement to IPTF-conducted police reform in the RS, agreement to the IMF-required budget for the RS,

Appendix X
Comments From the Department of State

See comment 6.

GAO Bosnia Report
Job Code: 711249

agreement on a high volume of refugee returns and agreement to common license plates. Drulik has also developed a progressive-leaning rapport with Federation PM Blakic, which promises to provide additional impetus for the implementation process.

- ♦ **Page 15, last sentence:**
For added clarity, the secretary should make a sharper distinction between moderate and hard-line Bosnian Serb leadership and acknowledge that, to a large extent, cooperation and compliance of hard-line Serb leaders has been obviated by the rise of more moderate Serb leadership.

The following are GAO's comments on the Department of State's letter dated April 24, 1998.

GAO Comments

1. We have modified the results in brief section of our Executive Summary to more fully reflect that some progress has been made in establishing multiethnic governmental institutions. However, we believe our basic conclusion that Bosnia lacks functioning institutions at all levels is a valid and fair representation of the condition that exists. As described in detail in chapter 3 of our report, despite intense pressure from and involvement of the international community, efforts to create multiethnic institutions at the national, entity, and local levels of government have been hindered by the intransigence of the political leaders of Bosnia's three major ethnic groups. Moreover, we believe that our conclusion regarding economic links is correct and supported by information in chapter 6 of our report. This chapter points out in considerable detail that while some steps have been taken toward the reestablishment of key economic links between Bosnia's ethnic groups, only limited links have been reestablished.
2. A subsequent section of the Executive Summary specifically describes the achievements of the arms control efforts.
3. We do not agree that the paragraph referred to by State gives an incorrect impression. The Executive Summary notes that the pro-Pale Bosnian Serb political leaders have not consistently followed through on their commitment to restructure their police forces. Chapter 2 provides the detail that shows that police in pro-Plavsic areas have made more progress in the provisional certification process. This is in part due to the fact that the restructuring agreement called for a sequential restructuring of Republika Srpska public security centers, beginning with the pro-Plavsic centers in western Republika Srpska.
4. Our report provides no broad characterization of Bosnian police; instead, it presents factual information on police-related human rights abuses. State's comments regarding growing police cooperation were already reflected in this section and in chapter 2.
5. We believe the Executive Summary and chapters 3, 5, and 6 of our report accurately reflect the actions of Prime Minister Dodik, for example, the agreements reached on interentity postal delivery and rail traffic. (It should be noted that contrary to State's comment, the agreement on

Republika Srpska police restructuring was reached in September 1997, 4 months prior to Dodik's election as Prime Minister.)

6. We believe that this paragraph and other sections of the report make a clear distinction between the relatively moderate and hard-line Bosnian Serb leaders. Moreover, we disagree with State's comment that cooperation and compliance of hard-line Serb leaders to a large extent has been "obviated" by the rise of more moderate Serb leadership. As noted in the Executive Summary and chapters 3 and 4 of the report, the relatively moderate Serb leadership still has not gained full political control in Republika Srpska. As of May 1998, hard-line Serb leaders in Pale still controlled segments of the entity's police and financial/economic institutions as well as many municipal governments, primarily in the eastern part of Republika Srpska. They remained capable of blocking implementation of the Dayton Agreement and, with the support of the President of the Federal Republic of Yugoslavia, have actively sought to undermine Dodik's government.

Further, although the moderate Republika Srpska Prime Minister has expressed full support for Dayton implementation, it was unclear whether his government would have the political will or ability to fulfill the pledges he has made to the international community. For example, the Prime Minister had appointed Ministers of Justice, Interior, and Defense who had either expressed limited support for Dayton implementation or were closely associated with hard-line nationalists and people indicted for war crimes. These individuals may continue to attempt to obstruct efforts to implement Dayton.

Major Contributors to This Report

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